

State of Nebraska

Comprehensive Annual Financial Report

Year Ended June 30, 2005



Dave Heineman
Governor

Department of Administrative Services

Lori McClurg
Director

Paul Carlson
State Accounting Administrator

Cover: Scenes from around the State.



Dave Heineman
Governor

STATE OF NEBRASKA

OFFICE OF THE GOVERNOR
P.O. Box 94848 • Lincoln, Nebraska 68509-4848
Phone: (402) 471-2244 • gov.heineman@gov.ne.gov

December 22, 2005

Members of the Legislature
Citizens of the State of Nebraska

It is my pleasure to submit Nebraska's Comprehensive Annual Financial Report for fiscal year 2005.

This report is an important part of our efforts to provide timely and accurate financial reporting to ensure proper handling of taxpayers' money. It provides a complete picture of the State's financial status and is an excellent means of meeting our continuing disclosure responsibilities in accordance with governmental reporting standards.

Our ability to manage our fiscal affairs is demonstrated by the unqualified audit opinion that follows. I am also proud that the 2004 report submitted to the Government Finance Officers Association was, for the fourteenth consecutive year, awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting. I am confident the 2005 report will also receive this distinction.

I would like to thank the Department of Administrative Services for its commitment in dealing with the complex accounting issues involved in preparing this report, as well as all the state agencies for their cooperation in gathering the necessary information.

Sincerely,

A handwritten signature in cursive script that reads "Dave Heineman".

Dave Heineman
Governor

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2005

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Selected State Officials	4
Transmittal Letter from the Department of Administrative Services.....	5
Organization Chart.....	10
Certificate of Achievement	11

FINANCIAL SECTION

Independent Auditors' Report	14
Mangement's Discussion and Analysis	16
Basic Financial Statements	
Statement of Net Assets	33
Statement of Activities	34
Balance Sheet – Governmental Funds	36
Reconciliation of the Balance Sheet – Governmental Funds to the	
Statement of Net Assets.....	37
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Governmental Funds	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds to the Statement of Activities	39
Statement of Net Assets – Proprietary Funds	40
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	41
Statement of Cash Flows – Proprietary Funds.....	42
Statement of Fiduciary Net Assets – Fiduciary Funds.....	44
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	45
Statement of Net Assets – Component Units.....	46
Statement of Activities – Component Units	47
Notes to the Financial Statements	
Summary of Significant Accounting Policies.....	48
Deposits and Investments Portfolio.....	53
Receivables.....	55
Capital Assets	56
Interfund Balances.....	57
Accounts Payable and Accrued Liabilities	58
Noncurrent Liabilities.....	58
Bonds Payable	58
Lease Commitments	60
Obligations Under Other Financing Arrangements.....	60
Pension Plans.....	61
Contingencies and Commitments	63
Risk Management	63
Joint Venture	64
Accounting Changes.....	64
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	66
Budgetary Comparison Schedule – Cash Funds.....	67
Budgetary Comparison Schedule – Construction Funds	68
Budgetary Comparison Schedule – Federal Funds.....	69
Budgetary Comparison Schedule – Revolving Funds	70
Notes to Required Supplementary Information	71
Information about Infrastructure Assets Reported using the Modified Approach.....	72

TABLE OF CONTENTS (Continued)

FINANCIAL SECTION (Continued)

Combining and Individual Fund Statements

Nonmajor Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds.....	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	77
Combining Balance Sheet – Nonmajor Special Revenue Funds	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	80
Combining Balance Sheet – Nonmajor Permanent Funds.....	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Permanent Funds	83

Nonmajor Enterprise Funds

Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	86
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds	87
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	88

Internal Service Funds

Combining Statement of Net Assets – Internal Service Funds.....	90
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	92
Combining Statement of Cash Flows – Internal Service Funds	94

Fiduciary Funds

Combining Statement of Fiduciary Net Assets – Pension Trust Funds.....	98
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	100
Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds	102
Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds	103
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	104
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	105

STATISTICAL SECTION

Ten Year Schedule of Revenues, Expenditures and Changes in Fund

Balances – Governmental Funds	108
Revenue Bond Coverage – Colleges and Universities.....	110
Economic Characteristics.....	111
Miscellaneous Statistics	118



INTRODUCTORY SECTION

SELECTED STATE OFFICIALS

As of June 30, 2005

EXECUTIVE

Dave Heineman

Governor

Rick Sheehy

Lieutenant Governor

Jon Bruning

Attorney General

Kate Witek

Auditor of Public Accounts

John A. Gale

Secretary of State

Ron Ross

State Treasurer

JUDICIAL

Supreme Court of Nebraska

John V. Hendry, Chief Justice

William M. Connolly, Justice

John M. Gerrard, Justice

Michael McCormack, Justice

Lindsey Miller-Lerman, Justice

Kenneth C. Stephan, Justice

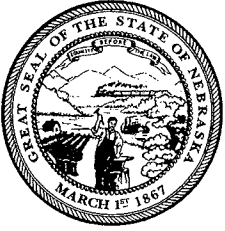
John F Wright, Justice

LEGISLATIVE

Kermit A. Brashear

Speaker of the Legislature

Nebraska Unicameral (49 Senators)



Dave Heineman
Governor

STATE OF NEBRASKA

DEPARTMENT OF ADMINISTRATIVE SERVICES
Lori McClurg

Director
Suite 1315, State Capitol
Lincoln, Nebraska 68509-4664
Phone (402) 471-2331

December 22, 2005

The Honorable Dave Heineman, Governor
Members of the Legislature
Citizens of the State of Nebraska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska (the "State") for the fiscal year ended June 30, 2005. This report is the primary means of reporting the State government's financial activities. The State of Nebraska's financial statements have been audited by the State of Nebraska Auditor of Public Accounts. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. The CAFR has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, and other related statements. This reporting model's objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

The independent audit of the financial statements of the State was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State's separately issued Single Audit Report.

The CAFR is presented in three sections. (1) The Introductory Section contains this letter of transmittal and some information about the State and its operations. (2) The Financial Section contains Management's Discussion and Analysis, Government Wide Financial Statements, Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, and Combining Statements for Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and various combining statements. (3) The Statistical Section contains selected financial and demographic information, generally presented on a multi-year basis.

The CAFR consists of management's representations concerning the finances of the State of Nebraska. The State Accounting Division of the Department of Administrative Services assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP for governments. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The State was admitted to the Union as the thirty-seventh state in 1867. Nebraska's government is divided into three branches: legislative, executive and judicial. Nebraska is the only state with a Unicameral Legislature, which has 49 non-partisan members. The chief executive is the governor, who is elected for a four-year term. Within the executive branch are various departments and agencies that perform a variety of functions. Since Nebraska's Constitution generally allows no indebtedness, government expenses of such departments and agencies must be met on a pay-as-you-go basis. The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. An organizational chart of the State is shown on page 10.

The State reporting entity reflected in this CAFR is described more fully in Note 1.B. to the financial statements. It should be noted that the reporting entity includes the familiar government activities plus two component units, the University of Nebraska and the State College System.

Budgetary control of state expenditures is maintained chiefly by three processes. First, a budget is required to be adopted through passage of appropriation bills by the Legislature. Second, the appropriated funds are allocated by program and fund type and are controlled by the executive branch through an allotment process. The Legislature may also enact a supplemental appropriation bill and other appropriation bills as it deems necessary. Finally, the State's accounting system is designed to budget check each expenditure to ensure the appropriation is not exceeded.

Budget-to-actual comparisons are provided in this CAFR for various categories of General Fund revenues and appropriated annual budgets. This comparison is presented on page 66 as part of the Required Supplementary Information to the basic financial statements for the governmental funds. Budget-to-actual comparisons for Cash Funds, Construction Funds, Federal Funds, and Revolving Funds are also presented as Required Supplementary Information on pages 67 through 70.

FACTORS AFFECTING FINANCIAL CONDITION

In order to better understand the information presented in the basic financial statements, such information should be considered from the broader perspective of the specific environment within which the State operates.

Current Revenue Outlook

The General Fund operations of the State are almost entirely dependent upon the income and sales taxes the State receives each year. Such taxes represent over 92 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2004 increased \$229 million over the prior year, due to an increased sales tax base and a sales tax rate increase to help offset a small decline in income tax revenue. In finalizing the biennium budget for the fiscal years ending June 30, 2004 and June 30, 2005, the Legislature, as required by the State Constitution, balanced the budget.

For the year ended June 30, 2005 there was a continued increase in taxes collected, as income and sales taxes from all funds increased \$301 million over last year, chiefly due to a \$208 million jump in income taxes collected. This reflects the steady, solid growth in Nebraska in all areas: jobs, income and revenue. Employment continues to have steady, moderate growth. Farm income reached record levels in calendar years 2003 and 2004. Calendar year 2005 farm income is expected to remain near record levels.

The State has seen continued improvement in revenues for the fiscal year ending June 30, 2005. Net tax revenue exceeded the prior year by \$339 million. For the fiscal year ending June 30, 2005, the State's General Fund ended the fiscal year with a \$617 million cash and investments balance.

State Economy

The Bureau of Business Research of the University of Nebraska-Lincoln, together with the Nebraska Business Forecast Council, are optimistic on Nebraska's economic future, stating that the Nebraska economy should expand steadily with moderate growth. Total net taxable retail sales growth should continue to receive a boost from the broadening of the sales tax base. Sales tax and income tax revenue will also benefit by the increases in employment and personnel income.

	ACTUAL			PROJECTED		
	2002	2003	2004	2005	2006	2007
Nonfarm Employment:						
Annual Totals	910,900	916,300	926,100	936,300	950,900	965,800
Growth Rates	-0.8%	0.9%	0.9%	1.1%	1.6%	1.6%
Nonfarm Personal Income:						
Annual Totals (in millions \$)	49,703	51,463	54,219	57,216	60,512	63,948
Growth Rates	1.5%	3.4%	5.3%	5.5%	5.8%	5.7%
Net Taxable Retail Sales						
Growth Rates:						
Total	1.8%	3.1%	6.9%	3.7%	3.2%	4.6%
Motor Vehicle Sales	1.0%	-1.1%	-0.3%	-3.6%	2.6%	7.0%
Non-motor Vehicles Sales	1.9%	3.8%	8.0%	4.7%	3.3%	4.3%

Cash Management

All cash is required to be deposited in the State Treasury. At the direction of the State Treasurer, the State Investment Officer invests all cash in the Operating Investment Pool (OIP). This pool is comprised of some short-term investments and many medium-term investments. The OIP is reflected as cash and investments on the State's financial statements. Interest earnings are credited on a monthly basis to each fund eligible to earn interest. All interest earnings not credited to other funds are deposited in the General Fund.

At June 30, 2005, there was \$1.9 billion invested in the OIP. This was invested as follows: 26 percent in government securities; 20 percent in corporate bonds; 36 percent in Federal agencies; 4 percent in time deposits; and 14 percent in money market funds and other. For the fiscal year ended June 30, 2005, the average daily balance of \$1.84 billion returned \$65 million, a 3.54% yield. This yield is a decrease from the 2004 yield of 3.91%.

State law requires that all public funds deposited in banks be secured by having each such bank maintaining, at all times, an aggregate amount of securities of at least 102 percent of the amount on deposit, less the \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC). It is the State's policy to continually monitor the clearing and depository banks for compliance with this law.

Risk Management

Workers' compensation, employee health coverage, employee liability and general liability are self-insured. Commercial insurance coverage has been purchased for automobile liability, real and personal property damage, employee life coverage, and employees' errors or omissions. Note 13 of the Notes to the Financial Statements discusses the State's risk management activities in more detail.

Retirement Systems

Total net assets of the State's pension trust funds reached \$7.1 billion by June 30, 2005, compared to \$6.4 billion on June 30, 2004. These are the assets of the three defined benefit plans (School, Judges and State Patrol plans), two defined contribution and cash balance plans (County and State Employees plans) and the State Employees' Deferred Compensation Plan that are administered by the State. See Note 11 to the Financial Statements for a detailed analysis of these plans.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2004. This was the fourteenth consecutive year that the State has received this prestigious award. In order to be awarded a Certificate of Achievement, the State published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report continues our commitment to comprehensive disclosure of the State's financial condition. We are committed to issuing reports that are informative and meet governmental accounting standards. Reports that meet these standards provide the reader with an opportunity to make more informed judgments about the government's financial position and results of operations.

The 2005 CAFR represents our commitment to this goal. We wish to express our appreciation to the accounting staff of the State Accounting Division of the Department of Administrative Services and the budget and accounting staff throughout State government for their assistance in the preparation of this report.

Questions or requests for additional information related to this report can be directed to the State Accounting office at (402) 471-2581.

Respectfully submitted,

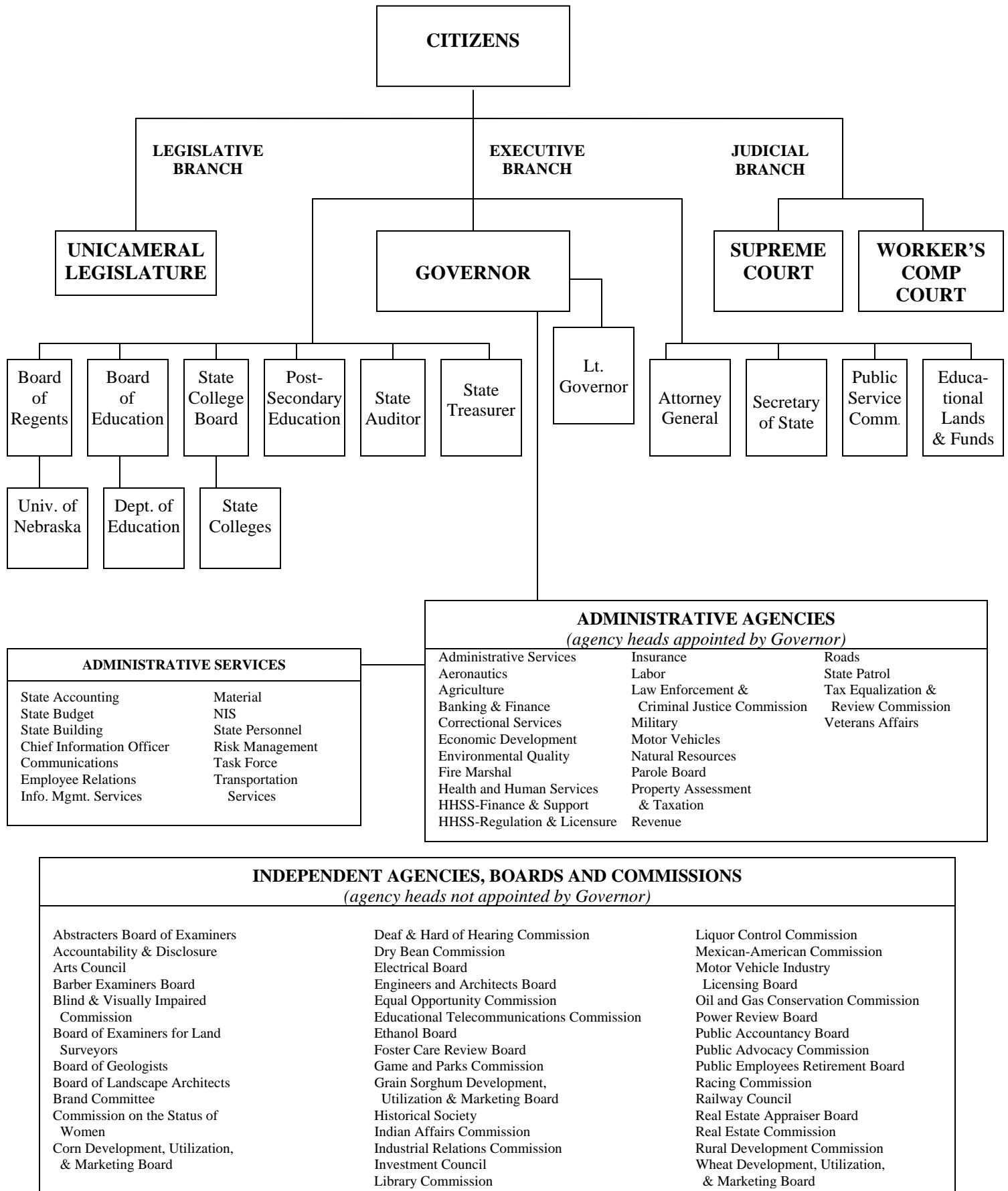
A handwritten signature in black ink, reading "Lori McClurg". The signature is written in a cursive style with a large, stylized "L" and "M".

Lori McClurg
Director, Department of
Administrative Services

A handwritten signature in black ink, reading "Paul Carlson". The signature is written in a cursive style with a large, stylized "P" and "C".

Paul Carlson
State Accounting Administrator

Nebraska State Government Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director





FINANCIAL SECTION

STATE OF NEBRASKA

AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
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Independent Auditors' Report

Kate Witek
State Auditor
Kate.Witek@apa.ne.gov

The Honorable Governor,
Members of the Legislature and
Citizens of the State of Nebraska:

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2005, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nebraska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Nebraska State College System's foundations, the University of Nebraska, the College Savings Plan, a private purpose trust fund, and the NETC Leasing Corporation, a nonmajor special revenue fund. The State College System's foundations and the University of Nebraska represent 96% and 95% of the assets and revenues, respectively, of the aggregate discretely presented component units' information. The College Savings Plan private purpose trust fund and the NETC Leasing Corporation nonmajor special revenue fund represent 10% and 21% of the assets and revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units and aggregate remaining fund information is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 15 to the financial statements, the State of Nebraska adopted in 2005 the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB Statement No. 3*. As also described in note 15 the State of Nebraska decreased Beginning Net Assets of the Private Purpose Trust, Fiduciary Funds by \$172,460 to reflect the audited financial statements of the College Savings Plan as of December 31, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2005 on our consideration of the State of Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 16 through 29, the Budgetary Comparison Schedules-General Fund, Cash, Construction, Federal and Revolving Fund Types on pages 66 through 71; the Information About Infrastructure Assets Reported Using the Modified Approach on page 72; and the Schedules of Funding Progress and Three-Year Trend Information on page 62 and 63, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The combining statements within the financial section as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated, in all material respect, in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lincoln, Nebraska
December 19, 2005


Assistant Deputy Auditor

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State's basic financial statements, which follow. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

The State of Nebraska (State) implemented one new standard in 2005 required by Governmental Accounting Standards Board (GASB), Statement No. 40, *Deposit and Investment Risk Disclosures*. This resulted in significant changes to the investment disclosures presented in Note 2 to the financial statements.

A comparative analysis of government-wide data for the last two years is presented in this analysis.

FINANCIAL HIGHLIGHTS

Government-Wide:

The assets of the State exceeded its liabilities at June 30, 2005 by \$9.3 billion (presented as "net assets" in the CAFR). The majority of the net assets are represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net assets, "unrestricted net assets" was reported as \$830 million, much of which is, by statute, to be spent on nursing facilities, medical assistance programs and tobacco prevention and control. The primary government's net revenues exceeded net expenses for 2005 by \$615 million (thus, an increase in net assets). The increase in net assets was primarily a result of a continually improving economy causing an increase in taxes collected coupled with a less than budgeted increase of expenditures from 2004.

Fund Level:

General Fund receipts for 2005 were \$262 million above the original budgeted amount and above the final budget by \$48 million. Expenditures were \$132 million less than the original budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$173 million in excess revenues prior to \$28 million in other financing sources (uses) resulting in an ending fund balance on June 30, 2005 of \$409 million. Other governmental funds had \$113 million in excess revenues prior to other financing sources (uses) increasing such fund balances at June 30, 2005 to \$1,599 million.

The \$211 million of net assets of the Unemployment Compensation Fund represents eighty-six percent of the proprietary funds. Such fund only had a \$28 million increase in net assets for 2005 (compared to a \$10 million decrease in 2004) due to a \$42 million decrease in unemployment claims.

Long-term Liabilities:

Long-term liabilities totaled \$658 million at June 30, 2005, which is a small change from the prior year. Most of these liabilities consist of (1) \$290 million of claims payable for workers' compensation claims, medical excess liability, unemployment compensation claims, employee health insurance claims, among other claims, (2) \$181 million of Medicaid claims, and (3) the calculated amount for vested sick leave due employees when they retire and accrued vacation, totaling \$111 million. Debt related to capital assets totaled \$48 million at June 30, 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also contains other supplementary information (e.g., budgetary schedules and combining financial statements) in addition to the basic financial statements. These components are described below:

Government-Wide Financial Statements

These statements provide a broad view of the State's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the State's financial position. The statements are prepared using the accrual basis of accounting. This means all revenues and expenses related to the fiscal year are recorded in the statements, even if cash has not been received or paid. If taxes are owed to the State but not yet received, such transaction is recorded as an asset (a receivable) and revenue to the State. Likewise, if the State owes for vacation time, but has not yet paid the worker for such vacation earned, then the liability and payroll expense is recorded. The government-wide financial statements include two statements, the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* (page 33) presents all the State's assets and liabilities with the difference between the two reported as "Net Assets." Changes in net assets over time may indicate the relative health of the State and this statement will assist users in assessing whether or not the State's financial position is improving or deteriorating.

The *Statement of Activities* (pages 34 and 35) presents information showing how the State's net assets changed during the reported year. All changes in net assets are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows, using the accrual basis of accounting discussed earlier.

Both of these statements have separate sections for three different types of State programs or activities. These sections are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental Activities and Business-type Activities are combined to report on what is termed Primary Government activities, which is separate and distinct from the activity of the component units. Fiduciary Funds, which include the Pension Funds, are not included in the Government-wide Financial Statements.

Primary Government

GOVERNMENTAL ACTIVITIES – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent over 96% of all activity of

the primary government. It includes general government; education; health and human services; public safety; transportation; regulatory services; and economic development and assistance.

BUSINESS-TYPE ACTIVITIES – Functions reported in this section include those activities whereby the State charges fees and other charges to external users of the State’s services and purchasers of State’s goods in order to recover all or a significant portion of the State’s operating costs related to these activities, much like a private business. Such activities are unemployment compensation services, lottery tickets, premium surcharges for excess liability coverage, and the sales and services provided by Cornhusker State Industries.

Component Units

DISCRETELY PRESENTED COMPONENT UNITS – These are separate organizations for which the State has financial accountability but such organizations have independent qualities as well. The University of Nebraska and the Nebraska State College System are the State’s only two discretely presented component units. While presented in this report, each of these two units have separate audited financial statements and such audited reports can be obtained from their respective administrative offices.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State’s operations. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 36) provide detailed information about the State’s major funds. A fund is a method of accounting that uses a set of accounts to maintain accountability and control over specific sources of funding and spending for a particular activity or objective. The State’s funds are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. It is important to note that each of these three fund categories use different accounting approaches and should be analyzed differently.

Governmental Funds Financial Statements – Most of the basic services provided by the State are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, the Governmental Funds Financial Statements use modified accrual accounting, which limits assets to cash and all other financial assets that can readily be converted into cash. This is different from the governmental activities recorded in the government-wide financial statements that use full accrual accounting. These fund statements provide a detailed short-term view of the State’s finances that assist the reader in determining whether or not there will be adequate financial resources to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader can better understand the long-term impact of the State’s near-term financing decisions. To aid the reader in such analysis, reconciliations are provided between the Government-wide Financial Statements and the Governmental Funds Financial Statements (see pages 37 and 39).

The State of Nebraska's governmental funds include five major funds: the General Fund, the Highway Fund, the Federal Fund, the Health and Social Services Fund and the Permanent School Fund. Non-major special revenue, capital project and other permanent funds are also included in the governmental funds.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Thus, when the State charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds consist of both Enterprise Funds (services provided to outside customers) and Internal Service Funds (services provided to other State agencies). Proprietary funds utilize accrual accounting, the same method used by private businesses. Therefore, the net assets reported in these statements as Enterprise Funds will be identical to the net assets reported in the net assets for business-type activities in the Government-wide Financial Statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-wide Financial Statements.

Fiduciary Funds Financial Statements – Whenever the State receives funds on behalf of others, it is acting in a fiduciary capacity or trustee of those funds belonging to others. Thus, assets in these funds are restricted as to use and do not represent discretionary assets that the State could use to finance its operations. They are presented in these statements only for the purpose to indicate that the State has responsibility for these assets. For that reason, such assets are not included in the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

The State's principal fiduciary fund is the Pension Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 11 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and funds held for inmates and clients or wards of the State. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions and funds due to outside organizations as a result of payroll deductions.

Component Units Financial Statements

As mentioned in the discussion of the Government-wide Financial Statements, the State has included the net assets and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate, but brief, component unit statements to allow the reader to analyze each of these two units separately.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements. The notes can be found immediately following the component units' financial statements beginning on page 48.

Required Supplementary Information

Following the basic financial statements, and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information includes budgetary comparison schedules reconciling statutory fund balances used for budgetary purposes to the fund balances determined by GAAP used in the Fund Financial Statements for the General Fund, Cash Funds, Construction Funds,

Federal Funds, and Revolving Funds. Other information included is the condition and maintenance data regarding certain aspects of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes the combining statements for non-major governmental, proprietary and fiduciary funds. These funds are summarized by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Fund Financial Statements. Also presented is a statistical section providing a variety of data about the State.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's assets totaled \$11,026 million at June 30, 2005 as compared to \$10,236 at June 30, 2004. As total liabilities only totaled \$1,767 million, net assets amounted to \$9,259 million as of June 30, 2005. As of June 30, 2004, these amounts were \$1,575 million and \$8,661 million, respectively. By far the largest portion of the State of Nebraska's net assets (77 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, etc.). The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net assets are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. They also are not available for future spending.

STATE OF NEBRASKA Net Assets as of June 30 (in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and Other						
Non-current Assets	\$ 3,539	\$ 2,905	\$ 324	\$ 297	\$ 3,863	\$ 3,202
Capital Assets	7,156	7,028	7	6	7,163	7,034
Total Assets	10,695	9,933	331	303	11,026	10,236
Non-current Liabilities	604	568	54	68	658	636
Other Liabilities	1,077	908	32	31	1,109	939
Total Liabilities	1,681	1,476	86	99	1,767	1,575
Net assets:						
Invested in Capital Assets, Net of Related Debt	7,110	6,980	6	6	7,116	6,986
Restricted	1,100	1,051	213	185	1,313	1,236
Unrestricted	804	426	26	13	830	439
Total Net Assets	\$ 9,014	\$ 8,457	\$ 245	\$ 204	\$ 9,259	\$ 8,661

The State's non-capital assets chiefly consist of cash, investments and receivables. It should be noted that \$489 million in 2005 and \$374 million in 2004 of such assets represent "Securities Lending Collateral," an amount created by a journal entry required by GASB in order to record a lending transaction. Since the asset is offset by a corresponding equal liability, the net asset is zero and thus the asset cannot be spent. (For more detail, see Note 2 to the financial statements.)

Since the State's Constitution generally prohibits the State from incurring debt, the Statement of Net Assets presents few long-term liabilities (shown as noncurrent liabilities). The majority of such liabilities are for claims payable for workers' compensation claims, medical excess liability, unemployment compensation claims, employee health insurance claims, among other claims (\$290 million for 2005 and \$284 million for 2004), Medicaid claims for \$181 million (\$177 million in 2004) and the calculated amount for vested sick leave due employees when they retire and accrued vacation of \$111 million of 2005 (\$109 million for 2004). Other minor amounts of long-term liabilities consist chiefly of capital lease obligations (See Note 9 to the Financial Statements), and bonds payable related to NETC Leasing Corporation and Nebraska State Building Corporation bonds. Both of these entities are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State (See Note 1.B. to the Financial Statements).

At the end of June 30, 2005, the State is able to report positive balances in all of the three categories of net assets.

The net assets for business-type activities represents chiefly cash set aside for future unemployment compensation benefits.

Changes in Net Assets

The condensed financial information on the following page was derived from the Government-wide Statement of Activities and reflects how the State's net assets changed during the year. Following that table is management's analysis of the changes in net assets for 2005, analyzing both the governmental activities and the business-type activities.

STATE OF NEBRASKA
CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
REVENUES						
Program Revenues						
Charges for Services	\$ 528	\$ 523	\$ 258	\$ 245	\$ 786	\$ 768
Operating Grants and Contributions	2,121	2,147	-	-	2,121	2,147
Capital Grants and Contributions	12	6	-	-	12	6
General Revenues					-	
Taxes	3,566	3,220	-	-	3,566	3,220
Unrestricted Investment Earnings	118	86	13	15	131	101
Miscellaneous	22	13	-	-	22	13
Total Revenues	6,367	5,995	271	260	6,638	6,255
EXPENSES						
General Government	228	178	-	-	228	178
Conservation of Natural Resources	95	92	-	-	95	92
Culture - Recreation	29	20	-	-	29	20
Economic Development and Assistance	80	80	-	-	80	80
Education	1,225	1,201	-	-	1,225	1,201
Higher Education - Colleges and Universities	451	438	-	-	451	438
Health and Social Services	2,495	2,330	-	-	2,495	2,330
Public Safety	282	254	-	-	282	254
Regulation of Business and Professions	139	127	-	-	139	127
Transportation	716	716	-	-	716	716
Intergovernmental	93	116	-	-	93	116
Interest on Long-term Debt	3	3	-	-	3	3
Unemployment Compensation	-	-	114	156	114	156
Lottery	-	-	77	73	77	73
Excess Liability	-	-	2	15	2	15
Cornhusker State Industries	-	-	11	8	11	8
Total Expenses	5,836	5,555	204	252	6,040	5,807
Excess (deficiency) Before Transfers	531	440	67	8	598	448
Transfers	26	21	(26)	(21)	-	-
Increase (Decrease) in Net Assets	557	461	41	(13)	598	448
Net Assets - Beginning	8,457	7,996	204	217	8,661	8,213
Net Assets - Ending	\$ 9,014	\$ 8,457	\$ 245	\$ 204	\$ 9,259	\$ 8,661

Governmental Activities

Governmental activities increased the State's net assets by \$557 million in 2005 (\$461 million in 2004). Furthermore, governmental activities represent 96% of all the primary government's revenues. Program revenues of governmental activities were \$2,661 million and were used to partially offset program expenses of \$5,836 million, leaving net expenses of \$3,175 million. Only 4% of total expenses were spent on general government expenses. General taxes, earnings and transfers of \$3,732 million were used to more than cover the remaining costs of the programs as shown below.

Program revenues basically remained unchanged from 2004. However, tax revenues were up \$346 million, which more than offset the \$296 million increase in program expenditures, net of revenues, by \$50 million. Investment earnings increased \$32 million due to more cash available for investment in 2005. These were the chief reasons for increase in net assets of \$96 million.

Program expenditures, net of revenue, increased chiefly due to three areas: General Government was up \$79 million; Health and Social Services was up \$235 million; and Transportation net expenditures were down \$59 million. General Government did not receive another federal grant of \$29 million as they had the past two years and there was a shift of \$30 million in expenses from other areas. Medicaid grants received in Health and Social Services were down \$67 million in 2005. In addition, Medicaid costs increased over 2004. Transportation received \$42 million more in grants in 2005 when compared to 2004.

GOVERNMENTAL ACTIVITIES (in millions of dollars)

Program Expenditures, Net of Revenue	2005	2004
General Government	\$ (162)	\$ (83)
Conservation of Natural Resources	(21)	(9)
Culture - Recreation	(9)	(3)
Economic Development and Assistance	(14)	(19)
Education	(927)	(922)
Higher Education - Colleges and University	(451)	(438)
Health and Social Services	(1,001)	(766)
Public Safety	(180)	(160)
Regulation of Business and Professions	(14)	(8)
Transportation	(308)	(367)
Intergovernmental	(85)	(101)
Interest on Long-Term Debt	(3)	(3)
Subtotal	(3,175)	(2,879)
General Revenues		
Taxes	3,566	3,220
Unrestricted Investment Earnings	118	86
Miscellaneous	22	13
		-
Transfers	26	21
Increase (Decrease) in Net Assets	\$ 557	\$ 461

Business-type Activities

The business-type activities increased the State's net assets by \$42 million for 2005 after a \$26 million transfer to the governmental activities. Most of the \$258 million of business-type activities' program revenues was related to the business assessment fees in the Unemployment Compensation Fund and Lottery Fund revenues. The Unemployment Compensation Fund had operating income of \$19 million in 2005. This income, when combined with the operating income of \$9 million created in the Excess Liability Fund, \$14 million in investment income and \$2 million in net revenues from Cornhusker State Industries, produced \$44 million of revenue. Lottery revenues of \$101 million generated net revenue of \$24 million, which was offset by the \$26 million transfer to the Governmental Activities. The lottery transfer was used primarily for education and environmental studies.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. In particular, the unreserved balance may provide some indication of the State's net resources available for spending at the end of the fiscal year. (Unreserved balances may be designated or undesignated. If they are designated, they are unreserved only as long as they are used for the purposes of the fund involved. In the Governmental Funds, most of the unreserved balances reside in designated funds.) At the end of 2005, the State's Governmental Funds reported combined ending fund balances of \$2,008 million. The total unreserved balances amounted to \$1,630 million.

General Fund

The General Fund is the chief operating fund of the State. The major General Fund liability was the estimated tax refunds payable of \$244 million. Such refunds payable were \$64 million less than the expected taxes owed the State. Other assets of the General Fund available to pay near-term liabilities exceeded such liabilities by \$345 million.

On June 30, 2004, the General Fund had a positive fund balance of \$208 million. While both revenues and expenditures increased in 2005, revenues were greater than expenditures which resulted in an increase in fund balance of \$173 million in 2005, which was slightly less than the \$208 million increase that occurred in 2004. This \$173 million increase in 2005, when coupled with \$28 million of other financing sources, caused the General Fund balance to increase by \$201 million, ending with a fund balance of \$409 million.

Revenues in 2005 were more than anticipated and were up \$337 million over 2004 chiefly due to (1) continued increase in corporate income taxes because of increased revenues and companies had less losses to write off, (2) increased individual income tax revenue resulting from the effect of less capital losses being reported and increased revenues by farmers and small business owners, and (3) increased sales taxes collected because of increased retail sales and the continuing effect of the increased sales tax

base. Expenditures were less than budgeted due to a concerted effort by agency heads to be conservative in spending.

To compensate for any downturns in revenues, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. Such reserve was at \$59 million at the beginning of 2004. In 2004, because of the increased revenues, the General Fund was able to repay the \$30 million that was borrowed from the Cash Reserve in 2003. Cigarette tax revenues of \$27 million were placed into the Cash Reserve in 2004 and the \$29 million of federal funds was transferred to the General Fund cash account, leaving a Cash Reserve Fund balance at the end of 2004 of \$87 million. Due to the fact that 2004 revenues exceeded the forecast, a statutory requirement caused a \$109 million transfer from the General Fund cash account to the Cash Reserve Fund in July 2004. Cigarette tax revenues of \$8 million was added to the Cash Reserve Fund during 2005 (this revenue stream ended October 1, 2004). These two items, when combined with \$27 million of transfers out, left a balance of \$177 million at the end of 2005. Again, because 2005 revenues exceeded the forecast, a \$262 million transfer was made from the General Fund into the Cash Reserve Fund in July, 2005. Offsetting this large transfer was a \$146 million payment made on August 1, 2005 from the Cash Reserve to settle a lawsuit against the state related to a low-level waste site.

Other Governmental Funds

Other governmental fund balances totaled \$1,599 million at June 30, 2005; \$378 million of such fund balances is reserved to indicate that they are not available for new spending because such funds (1) are represented by endowment principal (\$184 million), (2) are represented by an asset that has not yet been received, e.g., loans receivable (\$180 million), (3) have been expended for other assets, chiefly inventories (\$8 million) and thus the funds are not available, or (4) have been committed for debt service (\$6 million).

Of the non-General Fund unreserved fund balances of \$1,221 million, \$227 million represents permanent school funds which can be used only for support of public schools. \$936 million is represented by special revenue funds which while unreserved, normally must be spent within the confines of such special revenue funds (a majority of these same funds are considered “restricted” on the government-wide financial statements). Twenty-three million dollars is represented by other permanent funds, which again normally must be spent within the confines of the fund. Thirty-four million dollars is in the Capital Projects Fund, which, while unreserved, must be spent on a capital projects.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of \$555 million. Of this balance, \$543 million is classified as unreserved, but which are restricted in the government-wide statements in that the funds are unreserved only within the confines of such funds.

Governmental funds other than the General Fund saw an increase in fund balances of \$115 million. The fund balances of all such funds increased: the Highway Fund (\$12 million), the Federal Fund (\$1 million), the Health and Social Service Fund (\$38 million), the Permanent School Fund (\$40 million) and other Nonmajor Funds (\$24 million).

The Highway Fund had a \$41 million increase in federal funds. This, along with \$24 million more in fees, investment income, and other income more than offset the \$50 million increase in operating expenses (a 6% increase) and \$10 million less in sales tax revenue. These were the major reasons the Highway Fund had a \$12 million increase in fund balance from the prior year.

The Federal Fund received \$35 million less in federal grants and contracts, a 2% decrease from 2004. Because of such decreased revenues, there were reduced expenditures spent in accordance with the terms of the grants and contracts of \$30 million. As there was also less grant activity, at the end of 2005 there was still a small net increase in the fund of \$1 million, a \$6 million swing from the \$7 million increase in the fund in 2004.

The Health and Social Services Fund had a decrease in investment income in 2005 of \$9 million (mostly due to market fluctuations), a \$27 million increase in expenditures chiefly due to an increase in the State portion of Medicaid, which, when added to a decrease in other revenue of \$6 million, resulted in a \$42 million smaller increase in net revenues when compared to 2004. In the year 2004 the fund balance was increased \$80 million, whereas in 2005 the fund balance was increased by only \$38 million.

The Permanent School Funds had a \$4 million improvement of revenue, which offset a slight increase in expenditures, causing the fund balance to increase \$40 million in 2005 in comparison with a \$37 million increase in 2004.

The Nonmajor Funds were mostly stable from 2004 to 2005, with slight increases in both revenues and expenditures and \$4 million less in net transfers in during 2005. In 2004 the Fund balance increased \$31 million; in 2005 it increased only \$24 million. The \$7 million smaller increase was chiefly due to the effect of the transfers.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Compensation Fund, had reported net assets of \$211 million at the end of 2005. This fund's net assets increased \$28 million in 2005, due to charges to customers which exceeded the unemployment claims paid out by \$19 million. Other proprietary or enterprise funds – the Lottery Fund, the Excess Liability Fund (this fund was established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (this operation utilizes incarcerated persons to manufacture and sell items) had combined income of \$39 million prior to a \$26 million transfer from the Lottery to governmental funds. Such transfer was used primarily for education and environmental studies.

Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Funds net assets increased \$644 million to \$7,063 million in 2005 due primarily to a strong market in 2005, which provided \$505 million in appreciation of investments. Investment income in 2005 was \$117 million versus \$106 million in 2004. Contributions to the plans exceeded benefits, refunds and related administrative expenses by \$31 million. In another trust fund, \$376 million was received by the College Savings Plan and is recorded in the Private Purpose Trust Funds. Total net assets in the College Savings Plan now total \$950 million.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

In 2005, the State continued to reap the benefits of the improving national economy. Forecasted revenues, upon which the State's budgeted expenses were based, had anticipated a slow growth coming out of the recession. However, the State exceeded the revised projected tax revenues of \$ 2,899 million by \$48 million, realizing actual tax revenues, net of refunds, of \$ 2,947 million. Because the revenues continued to exceed expectations, the State's Forecasting Board made two new forecasts throughout the year, each time increasing the expected revenues. As the year unfolded, revenues continued to pick up and the end result was that actual revenues again exceeded the annual forecast. Additionally, throughout the year, agencies were encouraged to watch their spending and General Fund spending ended up \$110 million less than the appropriated amount. This reduction, when coupled with the increased tax revenues, allowed the State to finish 2005 with \$318 million of revenues in excess of expenditures on a budgetary basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the State had invested \$7.2 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Assets and summarized in the table below. Depreciation expense for 2005 totaled \$58 million, compared to \$52 million for 2004.

CAPITAL ASSETS AS OF JUNE 30 (net of depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	\$ 494	\$ 473	\$ -	\$ -	\$ 494	\$ 473
Buildings and Equipment	334	344	7	6	341	350
Infrastructure	6,262	6,156	-	-	6,262	6,156
Subtotal	7,090	6,973	7	6	7,097	6,979
Construction in Progress	66	55	-	-	66	55
Total	\$ 7,156	\$ 7,028	\$ 7	\$ 6	\$ 7,163	\$ 7,034

GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative process, referred to as the modified approach. Under this alternative method, the State expenses certain maintenance and preservation costs and does not record any depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

The State has consistently maintained a high level of the assessed condition of roads over the past five years. The State's goal is to maintain at least an overall system rating of 72 percent or above. The most recent condition assessment, completed for calendar year 2004, indicated an overall system rating of 83%, the same rating from the prior year.

For 2005, it was estimated that the State needed to spend \$123 million to preserve and maintain the roads at the abovementioned level. The State actually spent \$221 million on roads in 2005, compared to \$200 million in 2004. For 2006, it is estimated that the State needs to spend \$125 million, a considerable reduction from the past three years.

During 2005, the State added \$45 million of new depreciable capital assets. The State spent \$128 million on infrastructure and land purchases in 2005, most notably reconstructing (a) Highway 275 in Stanton County, (b) Interstate 80 around Grand Island and also southwest of Omaha, (c) Interstate 680 in west Omaha, (d) Highway 77 in Saunders County, and (e) Highway 26 from Scottsbluff to Minatare. This compares to \$88 million spent in 2004. Twenty-two million of governmental funds were spent on capital projects in 2005 compared to nineteen million in 2004. Major spending on capital projects included debt service payments for certain educational facilities and the Capitol renovation project.

At June 30, 2005, the State had contractual commitments of \$599 million for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 4 to the financial statements.)

The State's General Fund capital outlay budget authorized spending \$24 million on capital projects in 2006, in addition to \$1 million of unspent capital outlay authorizations that existed on June 30, 2005.

Long-Term Debt

Long-term debt related to capital assets is minimal for reasons previously stated. For further detail and analysis of long-term debt, see Notes 8 and 9 to the financial statements.

CERTAIN LONG-TERM DEBT AS OF JUNE 30 (in millions of dollars)

	GOVERNMENTAL ACTIVITIES	
	2005	2004
<u>Bonds Payable:</u>		
Nebraska State Building Corporation	\$ 2	\$ 3
NETC Leasing Corp	21	24
	<u>23</u>	<u>27</u>
 <u>Capitalized Leases:</u>		
	<u>\$ 25</u>	<u>\$ 27</u>

There were no new bonds issued in 2005 or 2004. There were only three small capitalized leases added in 2005 (only two leases were added in 2004), and such additional debt was more than offset by debt repayments. Bonds and Certificates of Participation for leases issued on behalf of the State maintain an AA rating from Standard and Poors and an Aa3 rating from Moody's.

FACTORS THAT WILL AFFECT THE FUTURE

Nebraska farm income has greatly improved and the economy has continued a measured turnaround. The ½ cent increase in the sales tax rate has been made permanent. The permanent increase in cigarette taxes will also continue to boost the State's cash position.

To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2005, this Fund had a \$177 million balance. Factors affecting the June 30, 2006 Cash Reserve Fund include (1) \$262 million transferred from the General Fund in July 2005 to the Cash Reserve Fund as statutorily required, due to the 2005 revenues exceeding the original 2005 forecasted revenues, (2) a cash payment of \$146 million made on August 1, 2005 to settle the low-level radioactive lawsuit, and (3) legislative mandated net transfers made to the General Fund of \$15 million.

Because of the recent surge in tax revenues, the Governor recently proposed broad tax reductions over the next three years, including \$148 million in income tax reductions, \$99 million reduction in sales tax on certain services, and providing an additional \$174 million in state aid to schools, so the schools could lower property taxes. These tax reductions of \$421 million are predicated upon revenues continuing to exceed spending needs over the next three years. Whether these tax cuts or other legislative tax cuts are enacted, the State is well positioned to provide a certain amount of tax reductions with the General Fund balance at \$409 million at June 30, 2005 and the fact that this fund has been growing for the past two years.

CONTACTING THE STATE ACCOUNTING OFFICE

This report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Accounting Division of the Department of Administrative Services, Suite 1309 State Capitol, Lincoln, NE 68509-4664, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 209 Varner Hall, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2191. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, 11th Floor State Capitol, Lincoln, NE 68509-4605, (402) 471-2505.



BASIC FINANCIAL STATEMENTS





State of Nebraska
STATEMENT OF NET ASSETS
June 30, 2005

(Dollars in Thousands)

(Dollars in Thousands)	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
ASSETS				
Cash and Cash Equivalents	\$ 222,038	\$ 189,076	\$ 411,114	\$ 232,314
Receivables, net of allowance				
Taxes	350,084	-	350,084	-
Due from Federal Government	210,182	-	210,182	-
Other	136,236	38,894	175,130	174,228
Internal Balances	23	(23)	-	-
Due from Primary Government	-	-	-	363
Investments	1,930,752	79,843	2,010,595	1,309,247
Loans Receivable	180,332	-	180,332	39,536
Investment in Joint Venture	-	-	-	163,084
Other Assets	16,199	2,601	18,800	31,618
Restricted Assets:				
Cash and Cash Equivalents	17,592	-	17,592	240,744
Other	-	1,744	1,744	2,842
Securities Lending Collateral	475,955	12,586	488,541	-
Capital assets:				
Land	494,067	315	494,382	53,958
Infrastructure	6,261,582	-	6,261,582	-
Construction in Progress	65,884	-	65,884	136,459
Land Improvements	-	-	-	108,248
Buildings and Equipment	764,993	10,990	775,983	1,432,614
Less Accumulated Depreciation	(430,811)	(4,755)	(435,566)	(544,172)
Total Capital Assets, net of depreciation	<u>7,155,715</u>	<u>6,550</u>	<u>7,162,265</u>	<u>1,187,107</u>
Total Assets	<u>\$ 10,695,108</u>	<u>\$ 331,271</u>	<u>\$ 11,026,379</u>	<u>\$ 3,381,083</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 316,352	\$ 13,550	\$ 329,902	\$ 119,473
Tax Refunds Payable	249,899	-	249,899	-
Due to Other Governments	11,707	-	11,707	-
Deposits	4,934	-	4,934	8,287
Due to Component Units	363	-	363	-
Unearned Revenue	18,120	6,172	24,292	70,284
Obligations under Securities Lending	475,955	12,586	488,541	-
Noncurrent Liabilities:				
Due within one year	374,535	27,534	402,069	57,123
Due in more than one year	229,241	26,066	255,307	418,651
Total Liabilities	<u>\$ 1,681,106</u>	<u>\$ 85,908</u>	<u>\$ 1,767,014</u>	<u>\$ 673,818</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 7,110,299	\$ 6,235	\$ 7,116,534	\$ 795,306
Restricted for:				
Education	10,528	-	10,528	111,000
Health and Social Services	42,403	-	42,403	-
Transportation	73,805	-	73,805	-
Licensing and Regulation	116,108	-	116,108	-
Other Purposes	416,684	1,744	418,428	1,264,637
Unemployment Compensation Benefits	-	211,314	211,314	-
Debt Service and Construction	5,810	-	5,810	118,568
Permanent Trusts:				
Nonexpendable	183,972	-	183,972	-
Expendable	250,127	-	250,127	-
Unrestricted	<u>804,266</u>	<u>26,070</u>	<u>830,336</u>	<u>417,754</u>
Total Net Assets	<u>\$ 9,014,002</u>	<u>\$ 245,363</u>	<u>\$ 9,259,365</u>	<u>\$ 2,707,265</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

(Dollars in Thousands)

	PROGRAM REVENUES			
		CHARGES FOR	OPERATING	CAPITAL
<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>SERVICES</u>	<u>GRANTS AND</u>	<u>GRANTS AND</u>
<u>PRIMARY GOVERNMENT:</u>			<u>CONTRIBUTIONS</u>	<u>CONTRIBUTIONS</u>
Governmental Activities:				
General Government	\$ 227,729	\$ 56,666	\$ 8,644	\$ 297
Conservation of Natural Resources	95,589	22,049	51,072	1,036
Culture – Recreation	28,524	16,700	2,340	147
Economic Development and Assistance	79,618	3,600	62,135	-
Education	1,224,973	27,470	270,246	43
Higher Education - Colleges and University	451,404	-	-	-
Health and Social Services	2,494,782	147,720	1,346,524	-
Public Safety	282,474	27,614	64,384	10,722
Regulation of Business and Professions	139,248	122,536	3,134	-
Transportation	716,259	95,322	312,905	-
Intergovernmental	92,879	8,080	-	-
Interest on Long-term Debt	2,800	-	-	-
Total governmental activities	5,836,279	527,757	2,121,384	12,245
Business-type activities:				
Unemployment Compensation	114,496	133,840	-	-
Lottery	77,128	100,658	-	-
Excess Liability	1,984	10,949	-	-
Cornhusker State Industries	10,509	13,022	-	-
Total business-type activities	204,117	258,469	-	-
Total Primary Government	<u>\$ 6,040,396</u>	<u>\$ 786,226</u>	<u>\$ 2,121,384</u>	<u>\$ 12,245</u>
COMPONENT UNITS:				
University of Nebraska	\$ 1,367,224	\$ 522,338	\$ 355,871	\$ 5,350
State Colleges	72,745	24,121	11,295	816
Total Component Units	<u>\$ 1,439,969</u>	<u>\$ 546,459</u>	<u>\$ 367,166</u>	<u>\$ 6,166</u>

General revenues:
Income Taxes
Sales and Use Taxes
Petroleum Taxes
Excise Taxes
Business and Franchise Taxes
Other Taxes
Unrestricted Investment earnings
Miscellaneous
Payments from State of Nebraska
Contributions to Permanent Fund Principal
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS**

PRIMARY GOVERNMENT			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ (162,122)	\$ -	\$ (162,122)	\$ -
(21,432)	-	(21,432)	-
(9,337)	-	(9,337)	-
(13,883)	-	(13,883)	-
(927,214)	-	(927,214)	-
(451,404)	-	(451,404)	-
(1,000,538)	-	(1,000,538)	-
(179,754)	-	(179,754)	-
(13,578)	-	(13,578)	-
(308,032)	-	(308,032)	-
(84,799)	-	(84,799)	-
(2,800)	-	(2,800)	-
(3,174,893)	-	(3,174,893)	-
-	19,344	19,344	-
-	23,530	23,530	-
-	8,965	8,965	-
-	2,513	2,513	-
-	54,352	54,352	-
-	54,352	(3,120,541)	-
-	-	-	(483,665)
-	-	-	(36,513)
-	-	-	(520,178)
1,612,683	-	1,612,683	-
1,376,100	-	1,376,100	-
311,231	-	311,231	-
126,593	-	126,593	-
70,344	-	70,344	-
68,885	-	68,885	-
117,977	13,705	131,682	63,916
5,106	(3)	5,103	164,781
-	-	-	451,404
16,581	-	16,581	-
26,372	(26,372)	-	-
3,731,872	(12,670)	3,719,202	680,101
556,979	41,682	598,661	159,923
8,457,023	203,681	8,660,704	2,547,342
<u>\$ 9,014,002</u>	<u>\$ 245,363</u>	<u>\$ 9,259,365</u>	<u>\$ 2,707,265</u>

State of Nebraska
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
ASSETS:							
Cash and Cash Equivalents	\$ 48,959	\$ 9,900	\$ 37,771	\$ 3,249	\$ 7,130	\$ 53,007	\$ 160,016
Cash on Deposit with Fiscal Agents	-	-	-	-	-	17,592	17,592
Investments	568,077	115,869	2,770	419,222	399,705	425,109	1,930,752
Securities Lending Collateral	185,035	37,741	1,972	75,470	47,469	128,268	475,955
Receivables, net of allowance							
Taxes	308,186	41,709	-	-	-	189	350,084
Due from Federal Government	-	41,510	168,105	-	-	567	210,182
Loans	228	-	3,907	646	-	175,551	180,332
Other	28,369	7,588	35,733	34,849	9,635	13,052	129,226
Due from Other Funds	71,036	598	4,724	2,722	2,418	4,539	86,037
Inventories	247	6,953	5,807	409	-	-	13,416
Prepaid Items	57	14	3	-	-	101	175
Other	463	-	-	-	-	776	1,239
TOTAL ASSETS	<u>\$ 1,210,657</u>	<u>\$ 261,882</u>	<u>\$ 260,792</u>	<u>\$ 536,567</u>	<u>\$ 466,357</u>	<u>\$ 818,751</u>	<u>\$ 3,555,006</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Accounts Payable and Accrued Liabilities	\$ 76,189	\$ 61,951	\$ 59,987	\$ 33,014	\$ 22,674	\$ 27,641	\$ 281,456
Tax Refunds Payable	243,589	6,310	-	-	-	-	249,899
Due to Other Governments	3,786	7,180	-	-	-	\$ 741	11,707
Deposits	487	933	2,118	240	100	1,056	4,934
Due to Other Funds	47,742	6,706	73,538	16,673	2	8,995	153,656
Due to Component Units	363	-	-	-	-	-	363
Obligations under Securities Lending	185,035	37,741	1,972	75,470	47,469	128,268	475,955
Claims Payable	230,332	-	93,049	-	-	-	323,381
Deferred Revenue	13,831	-	9,809	17,887	4,269	-	45,796
TOTAL LIABILITIES	<u>801,354</u>	<u>120,821</u>	<u>240,473</u>	<u>143,284</u>	<u>74,514</u>	<u>166,701</u>	<u>1,547,147</u>
FUND BALANCES:							
Reserved for:							
Long-Term Receivables	228	-	3,907	646	-	175,551	180,332
Inventories and Prepaid Items	304	6,967	3	409	-	101	7,784
Debt Service	-	-	-	-	-	6,262	6,262
Endowment Principal	-	-	-	-	164,407	19,565	183,972
Unreserved, reported in:							
General Fund	408,771	-	-	-	-	-	408,771
Special Revenue Funds	-	134,094	16,409	392,228	-	393,585	936,316
Permanent Funds	-	-	-	-	227,436	22,691	250,127
Capital Projects Fund	-	-	-	-	-	34,295	34,295
TOTAL FUND BALANCES	<u>409,303</u>	<u>141,061</u>	<u>20,319</u>	<u>393,283</u>	<u>391,843</u>	<u>652,050</u>	<u>2,007,859</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,210,657</u>	<u>\$ 261,882</u>	<u>\$ 260,792</u>	<u>\$ 536,567</u>	<u>\$ 466,357</u>	<u>\$ 818,751</u>	<u>\$ 3,555,006</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2005

(Dollars in Thousands)

Total fund balances for governmental funds \$ 2,007,859

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	494,067	
Infrastructure	6,261,582	
Construction in progress	65,884	
Other capital assets	711,050	
Accumulated depreciation	(395,274)	7,137,309

Certain tax revenues and charges are earned but not available and therefore are deferred in the funds. 28,396

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 48,709

Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(23,430)	
Accrued interest on bonds	(452)	
Capital leases	(20,481)	
Obligations under other financing arrangements	(11,430)	
Compensated absences	(106,327)	
Claims and judgments	(30,091)	
Pension benefit obligation	(16,060)	(208,271)

Net assets of governmental activities \$ 9,014,002

The accompanying notes are an integral part of the financial statements.

State of Nebraska
**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

(Dollars in Thousands)							
	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
REVENUES:							
Income Taxes	\$ 1,606,650	\$ -	\$ -	\$ 3,358	\$ -	\$ -	\$ 1,610,008
Sales and Use Taxes	1,232,294	141,548	-	-	-	2,833	1,376,675
Petroleum Taxes	6,177	290,453	-	-	2,186	12,415	311,231
Excise Taxes	74,782	-	-	5,436	-	44,307	124,525
Business and Franchise Taxes	56,777	-	-	-	-	13,567	70,344
Other Taxes	58,638	3,683	-	-	-	6,564	68,885
Federal Grants and Contracts	49	297,523	1,797,769	1,026	-	37,262	2,133,629
Licenses, Fees and Permits	18,941	72,315	-	4,680	2,039	100,995	198,970
Charges for Services	4,810	17,744	15,620	29,533	-	25,947	93,654
Investment Income	24,870	5,200	2,160	27,732	29,795	25,783	115,540
Rents and Royalties	-	325	103	483	21,871	18,655	41,437
Surcharge	-	-	-	-	-	61,205	61,205
Other	2,566	5,034	6,274	89,803	17,767	19,165	140,609
TOTAL REVENUES	3,086,554	833,825	1,821,926	162,051	73,658	368,698	6,346,712
EXPENDITURES:							
Current:							
General Government	280,703	-	3,060	-	-	29,268	313,031
Conservation of Natural Resources	28,609	-	25,982	-	-	43,476	98,067
Culture - Recreation	5,183	-	1,949	-	-	21,181	28,313
Economic Development and Assistance	4,976	-	62,457	-	-	13,739	81,172
Education	911,569	-	267,882	-	33,891	10,119	1,223,461
Higher Education - Colleges and University	434,073	-	-	-	-	17,331	451,404
Health and Social Services	989,968	-	1,361,679	122,397	-	1,908	2,475,952
Public Safety	182,626	-	75,795	-	-	27,311	285,732
Regulation of Business and Professions	5,094	-	2,190	-	-	131,802	139,086
Transportation	86	825,607	-	-	-	19,016	844,709
Intergovernmental	70,316	-	-	-	-	22,451	92,767
Capital Projects	-	-	-	-	-	19,048	19,048
Debt Service:							
Principal	-	-	-	-	-	5,525	5,525
Interest	-	-	-	-	-	1,852	1,852
TOTAL EXPENDITURES	2,913,203	825,607	1,800,994	122,397	33,891	364,027	6,060,119
Excess of Revenues Over (Under) Expenditures	173,351	8,218	20,932	39,654	39,767	4,671	286,593
OTHER FINANCING SOURCES (USES):							
Transfers In	54,759	13,007	2	758	-	84,195	152,721
Transfers Out	(27,313)	(9,647)	(19,632)	(1,906)	-	(67,851)	(126,349)
Proceeds from Other Financing Arrangements	-	-	-	-	-	1,890	1,890
Proceeds from Capital Leases	699	-	-	-	-	722	1,421
TOTAL OTHER FINANCING SOURCES (USES)	28,145	3,360	(19,630)	(1,148)	-	18,956	29,683
Net Change in Fund Balances	201,496	11,578	1,302	38,506	39,767	23,627	316,276
FUND BALANCES, JULY 1	207,807	129,483	19,017	354,777	352,076	628,423	1,691,583
FUND BALANCES, JUNE 30	\$ 409,303	\$ 141,061	\$ 20,319	\$ 393,283	\$ 391,843	\$ 652,050	\$ 2,007,859

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

(Dollars in Thousands)

Net change in fund balances—total governmental funds **\$ 316,276**

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays are reported as expenditures in governmental funds. Sales of capital assets are reported as revenues. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay, net of gains or losses	178,649	
Depreciation expense	<u>(51,984)</u>	126,665

Bond proceeds and other financing arrangements provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

Other financing arrangements	<u>(1,890)</u>	(1,890)
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Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability. (1,421)

Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:

Bond principal retirement	3,835	
Other financing arrangement payments	1,690	
Capital lease payments	<u>3,484</u>	9,009

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities. (4,040)

Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Unearned revenues increased by this amount this year. 1,229

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported in as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest	57	
Increase in compensated absences	(1,608)	
Decrease in claims and judgments	128,650	
Increase in pension benefit obligation	<u>(15,948)</u>	<u>111,151</u>

Change in net assets of governmental activities **\$ 556,979**

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT COMPENSATION	NONMAJOR ENTERPRISE FUNDS	TOTALS	
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 165,933	\$ 23,143	\$ 189,076	\$ 62,694
Receivables, net of allowance	32,797	6,097	38,894	2,807
Due from Other Funds	-	16	16	54,082
Inventories	-	2,195	2,195	285
Prepaid Items	-	406	406	1,084
TOTAL CURRENT ASSETS	<u>198,730</u>	<u>31,857</u>	<u>230,587</u>	<u>120,952</u>
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	-	1,744	1,744	-
Long-Term Investments	28,708	51,135	79,843	-
Securities Lending Collateral	9,351	3,235	12,586	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	373	10,617	10,990	53,943
Less Accumulated Depreciation	(256)	(4,499)	(4,755)	(35,537)
Total Capital Assets, net	<u>117</u>	<u>6,433</u>	<u>6,550</u>	<u>18,406</u>
TOTAL NONCURRENT ASSETS	<u>38,176</u>	<u>62,547</u>	<u>100,723</u>	<u>18,406</u>
TOTAL ASSETS	<u>\$ 236,906</u>	<u>\$ 94,404</u>	<u>\$ 331,310</u>	<u>\$ 139,358</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 3,021	\$ 10,529	\$ 13,550	\$ 16,042
Due to Other Funds	-	39	39	1,311
Capital Lease Obligations	-	-	-	2,179
Claims, Judgments and Compensated Absences	13,090	14,444	27,534	25,248
Unearned Revenue	-	6,172	6,172	720
TOTAL CURRENT LIABILITIES	<u>16,111</u>	<u>31,184</u>	<u>47,295</u>	<u>45,500</u>
NONCURRENT LIABILITIES:				
Capital Lease Obligations	-	-	-	2,267
Claims, Judgments and Compensated Absences	13	26,053	26,066	42,882
Obligations under Securities Lending	9,351	3,235	12,586	-
TOTAL NONCURRENT LIABILITIES	<u>9,364</u>	<u>29,288</u>	<u>38,652</u>	<u>45,149</u>
TOTAL LIABILITIES	<u>25,475</u>	<u>60,472</u>	<u>85,947</u>	<u>90,649</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	117	6,118	6,235	13,960
Restricted for:				
Lottery Prizes, Noncurrent	-	1,744	1,744	-
Unemployment Compensation Benefits	211,314	-	211,314	-
Unrestricted	-	26,070	26,070	34,749
TOTAL NET ASSETS	<u>211,431</u>	<u>33,932</u>	<u>245,363</u>	<u>48,709</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 236,906</u>	<u>\$ 94,404</u>	<u>\$ 331,310</u>	<u>\$ 139,358</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT COMPENSATION	NONMAJOR ENTERPRISE FUNDS	TOTALS	
OPERATING REVENUES:				
Charges for Services	\$ 133,840	\$ 124,603	\$ 258,443	\$ 280,100
Other	-	26	26	5,136
TOTAL OPERATING REVENUES	<u>133,840</u>	<u>124,629</u>	<u>258,469</u>	<u>285,236</u>
OPERATING EXPENSES:				
Personal Services	-	4,480	4,480	30,620
Services and Supplies	131	24,884	25,015	98,792
Lottery Prizes	-	58,352	58,352	-
Unemployment Claims	114,335	-	114,335	-
Insurance Claims	-	1,451	1,451	157,259
Depreciation	30	454	484	5,754
TOTAL OPERATING EXPENSES	<u>114,496</u>	<u>89,621</u>	<u>204,117</u>	<u>292,425</u>
Operating Income (Loss)	<u>19,344</u>	<u>35,008</u>	<u>54,352</u>	<u>(7,189)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income	9,130	4,575	13,705	2,437
Gain (Loss) on Sale of Capital Assets	(3)	-	(3)	(1,215)
Other	-	-	-	1,927
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>9,127</u>	<u>4,575</u>	<u>13,702</u>	<u>3,149</u>
Income (Loss) Before Transfers	28,471	39,583	68,054	(4,040)
Transfers Out	-	(26,372)	(26,372)	-
Change in Net Assets	28,471	13,211	41,682	(4,040)
NET ASSETS, JULY 1	<u>182,960</u>	<u>20,721</u>	<u>203,681</u>	<u>52,749</u>
NET ASSETS, JUNE 30	<u>\$ 211,431</u>	<u>\$ 33,932</u>	<u>\$ 245,363</u>	<u>\$ 48,709</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT COMPENSATION	NONMAJOR ENTERPRISE FUNDS	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 126,212	\$ 113,714	\$ 239,926	\$ 10,979
Cash Received from Interfund Charges	-	12,556	12,556	263,097
Cash Paid to Employees	-	(4,368)	(4,368)	(30,774)
Cash Paid to Suppliers	(132)	(24,280)	(24,412)	(88,396)
Cash Paid for Lottery Prizes	-	(57,261)	(57,261)	-
Cash Paid for Insurance Claims	(117,339)	(13,451)	(130,790)	(148,377)
Cash Paid for Interfund Services	(7)	(758)	(765)	(6,012)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8,734	26,152	34,886	517
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cigarette Tax Proceeds	-	-	-	2,068
Transfers Out	-	(27,195)	(27,195)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	(27,195)	(27,195)	2,068
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(144)	(480)	(624)	(6,737)
Proceeds from Sale of Capital Assets	1	-	1	806
Principal Paid on Capital Leases	-	-	-	(2,168)
Interest Paid on Capital Leases	-	-	-	(141)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(143)	(480)	(623)	(8,240)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	(2,464)	(171,828)	(174,292)	-
Proceeds from Sale of Investment Securities	-	171,125	171,125	-
Interest and Dividend Income	9,007	4,243	13,250	2,277
NET CASH FLOWS FROM INVESTING ACTIVITIES	6,543	3,540	10,083	2,277
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	15,134	2,017	17,151	(3,378)
CASH AND CASH EQUIVALENTS, JULY 1	150,799	21,126	171,925	66,072
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 165,933	\$ 23,143	\$ 189,076	\$ 62,694

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2005

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT COMPENSATION	NONMAJOR ENTERPRISE FUNDS	TOTALS	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 19,344	\$ 35,008	\$ 54,352	\$ (7,189)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	30	454	484	5,754
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(7,628)	218	(7,410)	(1,164)
(Increase) Decrease in Due from Other Funds	-	(16)	(16)	(10,325)
(Increase) Decrease in Inventories	-	(188)	(188)	(80)
(Increase) Decrease in Prepaid Items	-	8	8	(196)
(Increase) Decrease in Long-Term Deposits	-	(32)	(32)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(8)	1,268	1,260	4,433
Increase (Decrease) in Due to Other Funds	-	(7)	(7)	73
Increase (Decrease) in Claims Payable	(3,004)	(12,000)	(15,004)	8,882
Increase (Decrease) in Unearned Revenue	-	1,439	1,439	329
Total Adjustments	(10,610)	(8,856)	(19,466)	7,706
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 8,734	\$ 26,152	\$ 34,886	\$ 517
NONCASH TRANSACTIONS (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 1,923
Change in Fair Value of Investments	-	454	454	-
Total Noncash Transactions	\$ -	\$ 454	\$ 454	\$ 1,923

State of Nebraska

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2005

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Cash and Cash Equivalents	\$ 4,356	\$ 26,311	\$ 79,214
Investments:			
U.S. Treasury Securities	319,769	-	-
U.S. Agency Securities	466,510	-	-
Corporate Bonds	302,598	-	-
Equity Securities	715,662	-	-
Options	(626)	-	-
Municipal Bonds	3,060	-	-
Real Estate Investment Trust	100,330	-	-
Pooled Investment Contracts	120,774	-	-
Collateral Mortgage Obligations	143,451	-	-
Asset Backed Securities	113,891	-	-
Mutual Funds and Commercial Paper	4,851,715	950,197	-
Total Investments	7,137,134	950,197	-
Securities Lending Collateral	357,658	-	-
Receivables:			
Contributions	15,271	-	-
Interest and Dividends	13,749	1,012	560
Other	122,392	2	940
Total Receivables	151,412	1,014	1,500
Due from Other Funds	19,074	-	-
Capital Assets:			
Buildings and Equipment	16,435	-	-
Less Accumulated Depreciation	(6,689)	-	-
Total Capital Assets, net	9,746	-	-
Other Assets	-	10,853	-
TOTAL ASSETS	<u>\$ 7,679,380</u>	<u>\$ 988,375</u>	<u>\$ 80,714</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 246,605	\$ 1,784	10,776
Due to Other Governments	-	-	47,115
Deposits	-	795	-
Due to Other Funds	88	2,400	1,715
Obligations under Securities Lending	357,658	-	-
Capital Lease Obligations	11,428	-	-
Accrued Compensated Absences	305	-	-
Other Liabilities	-	-	21,108
TOTAL LIABILITIES	<u>616,084</u>	<u>4,979</u>	<u>80,714</u>
NET ASSETS:			
Held in Trust for:			
Pension Benefits	7,063,296	-	-
Other Purposes	-	983,396	-
TOTAL NET ASSETS	<u>7,063,296</u>	<u>983,396</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,679,380</u>	<u>\$ 988,375</u>	<u>\$ 80,714</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Contributions:		
Participant Contributions	\$ 136,599	\$ 375,544
Client Contributions	-	141
State Contributions	69,581	-
Political Subdivision Contributions	89,806	-
Court Fees	2,195	-
Total Contributions	298,181	375,685
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	504,953	58,877
Interest and Dividend Income	116,591	18,033
Securities Lending Income	9,349	-
Total Investment Income	630,893	76,910
Investment Expenses	9,033	5,550
Securities Lending Expenses	8,628	-
Total Investment Expense	17,661	5,550
Net Investment Income	613,232	71,360
Escheat Revenue	-	15,451
Other Additions	118	12,605
TOTAL ADDITIONS	911,531	475,101
DEDUCTIONS:		
Benefits	248,629	101,525
Refunds	10,079	-
Amounts Distributed to Outside Parties	-	13,431
Administrative Expenses	8,545	1,530
TOTAL DEDUCTIONS	267,253	116,486
Change in Net Assets Held in Trust for:		
Pension Benefits	644,278	-
Other Purposes	-	358,615
NET ASSETS-BEGINNING OF YEAR AS RESTATED	6,419,018	624,781
NET ASSETS-END OF YEAR	<u>\$ 7,063,296</u>	<u>\$ 983,396</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2005

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
ASSETS			
Cash and Cash Equivalents	\$ 217,518	\$ 14,796	\$ 232,314
Receivables, net of allowance			
Loans	36,751	2,785	39,536
Other	172,798	1,430	174,228
Due from Primary Government	-	363	363
Investments	1,283,102	26,145	1,309,247
Investment in Joint Venture	163,084	-	163,084
Other Assets	30,622	996	31,618
Restricted Assets:			
Cash and Cash Equivalents	227,812	12,932	240,744
Investments Held by Trustee	-	2,842	2,842
Capital assets:			
Land	53,278	680	53,958
Land Improvements	92,733	15,515	108,248
Construction in Progress	124,934	11,525	136,459
Buildings and Equipment	1,312,150	120,464	1,432,614
Less Accumulated Depreciation	(490,142)	(54,030)	(544,172)
Total Capital Assets, net of depreciation	<u>1,092,953</u>	<u>94,154</u>	<u>1,187,107</u>
Total Assets	<u>\$ 3,224,640</u>	<u>\$ 156,443</u>	<u>\$ 3,381,083</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 112,897	\$ 6,576	\$ 119,473
Deposits	7,882	405	8,287
Deferred Revenue	69,956	328	70,284
Noncurrent Liabilities:			
Due within one year	52,605	4,518	57,123
Due in more than one year	388,361	30,290	418,651
Total Liabilities	<u>\$ 631,701</u>	<u>\$ 42,117</u>	<u>\$ 673,818</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	\$ 733,777	\$ 61,529	\$ 795,306
Restricted for:			
Education	111,000	-	111,000
Other Purposes	1,237,187	27,450	1,264,637
Construction and Debt Service	106,397	12,171	118,568
Unrestricted	404,578	13,176	417,754
Total Net Assets	<u>\$ 2,592,939</u>	<u>\$ 114,326</u>	<u>\$ 2,707,265</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2005

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Operating Expenses:			
Compensation and benefits	\$ 800,611	\$ 44,986	\$ 845,597
Supplies and materials	207,229	5,203	212,432
Contractual services	95,073	3,140	98,213
Repairs and maintenance	43,922	2,005	45,927
Utilities	27,812	3,100	30,912
Communications	12,059	1,003	13,062
Depreciation	58,241	2,908	61,149
Scholarships and fellowships	111,083	913	111,996
Other	11,194	9,487	20,681
Total Operating Expenses	<u>1,367,224</u>	<u>72,745</u>	<u>1,439,969</u>
Program Revenues:			
Charges for Services	522,338	24,121	546,459
Operating Grants and Contributions	355,871	11,295	367,166
Capital Grants and Contributions	5,350	816	6,166
Total Program Revenues	<u>883,559</u>	<u>36,232</u>	<u>919,791</u>
Net (Expense) Revenue	<u>(483,665)</u>	<u>(36,513)</u>	<u>(520,178)</u>
General Revenue:			
Interest and investment earnings	62,154	1,762	63,916
Payments from the State of Nebraska	411,909	39,495	451,404
Miscellaneous	161,474	3,307	164,781
Total General Revenues	<u>635,537</u>	<u>44,564</u>	<u>680,101</u>
Change in Net Assets	151,872	8,051	159,923
Net Assets - Beginning	<u>2,441,067</u>	<u>106,275</u>	<u>2,547,342</u>
Net Assets - Ending	<u>\$ 2,592,939</u>	<u>\$ 114,326</u>	<u>\$ 2,707,265</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(dollars expressed in thousands)

1. Summary of Significant Accounting Policies

A. Basis of Presentation. The accompanying financial statements of the State of Nebraska (the "State") and its component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of the Department of Administrative Services. Additional data has been derived from audited financial statements of certain entities and from reports prescribed by the State Accounting Administrator and prepared by various State agencies and departments based on independent or subsidiary accounting systems maintained by them.

B. Reporting Entity. In determining its financial reporting entity, the State has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the State, or the significance of their relationship with the State are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. Complete financial statements of the individual component units that issue separate financial statements, as noted below, can be obtained from their respective administrative offices.

Blended Component Units. The following component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

NETC Leasing Corporation. The NETC Leasing Corporation is a nonprofit corporation formed by

the State in 1999 to acquire property to be leased to and purchased by the Nebraska Educational Telecommunications Commission (NETC), a State agency. The Governor appoints the members of the Board of Commissioners of the NETC and they in turn appoint and elect the five members of the Board of Directors of the NETC Leasing Corporation. Even though it is legally separate, the NETC Leasing Corporation is reported as if it were part of the State because it provides services entirely to the State.

Nebraska State Building Corporation. The Nebraska State Building Corporation (NSBC) is a nonprofit corporation formed by the State in 1987 to finance the acquisition of property to be used by the State. Even though it is legally separate, the NSBC is reported as if it were part of the State because it provides services entirely to the State.

Discretely Presented Component Units. The following component units are entities that are legally separate from the State, but are financially accountable to the State, or their relationships with the State are such that their exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State and governed by separate boards.

Nebraska State College System. The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Chadron State, Peru State and Wayne State Foundations are tax-exempt nonprofit corporations whose purpose is to provide financial support for the Nebraska State College System. Audit reports have been issued under separate cover.

University of Nebraska. The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The University's financial reporting entity also

consists of the following units: the University of Nebraska Facilities Corporation, a nonprofit corporation organized to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the University Medical Associates, organized for the purpose of billing medical service fees generated by university clinicians; UNeMed, organized to develop and market biomedical technologies for the university; the University Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln; the Peter Kiewit Institute Technology Development Corporation, a nonprofit corporation formed for the purpose of teaching and developing information science technology through students and faculty by conducting applied research; and the University of Nebraska Foundation, a tax-exempt nonprofit corporation whose purpose is to provide financial support for the University of Nebraska. The University of Nebraska is included as a component unit because it is fiscally dependant on the State. Audit reports have been issued under separate cover.

The university and colleges are funded chiefly through State appropriations, tuition, federal grants, private donations and grants, and auxiliary operations.

Related Organizations. The State's officials are responsible for appointing members of boards of other organizations, but the State's accountability for these organizations does not extend beyond making these appointments. The Governor appoints the boards of the following organizations: Nebraska Educational Finance Authority, Nebraska Investment Finance Authority, Research and Development Authority, and Wyuka Cemetery.

C. Government-Wide and Fund Financial Statements. The basic financial statements include both government-wide and fund financial statements. The reporting model based on the GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* focuses on the State as a whole in the government-wide financial statements and major individual funds in the fund financial statements. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported

separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Investment in Capital Assets, net of related debt. This category reflects the portion of net assets associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Assets. This category results when constraints are externally imposed on net asset use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

It is the policy of the State to spend restricted net assets only when unrestricted net assets are insufficient or unavailable.

Unrestricted Net Assets. This category represents net assets that do not meet the definition of the preceding two categories. Unrestricted net assets often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Net Assets reports total governmental activities unrestricted net assets of \$804,266. A significant portion of these net assets relate to the Health and Social Services Fund. While this fund is reported as unrestricted, a significant portion of the fund has statutory provisions requiring the fund be spent on nursing facilities, medical assistance programs and tobacco prevention and control.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Administrative overhead charges of internal service funds are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) investment earnings of permanent funds that are legally restricted for a specific program. Taxes

and other items not meeting the definition of program revenues are instead reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

D. Basis of Accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as they become susceptible to accrual; generally when they become both measurable and available, i.e., earned and collected within the next 60 days, except for federal reimbursement grants which use a one year availability period. Revenues are generally considered to be susceptible to accrual when the underlying transaction takes place or when eligibility requirements are met. Major revenues that are determined to be susceptible to accrual include sales taxes, income taxes, other taxpayer-assessed tax revenues, unemployment compensation taxes, federal grants and contracts, charges for services, and investment income. All other revenue items, including estate taxes, are considered to be measurable and available when cash is received by the State. Receivables not expected to be collected in the next 60 days (or 12 months in the case of federal reimbursement grants) are offset by deferred revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

The State reports the following major governmental funds:

General Fund. This is the State's primary operating fund. It reflects transactions related to

resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

Highway Fund. This fund accounts for the maintenance and preservation of State highways financed with sales tax on motor vehicles, gas taxes, federal aid and other highway user fees.

Federal Fund. This fund accounts for substantially all federal monies received by the State, except those received by the Highway Fund.

Health and Social Services Fund. This fund accounts for activities of agencies, boards, and commissions providing health care and social services financed primarily by user fees and tobacco settlement proceeds.

Permanent School Fund. This fund receives proceeds from any sale of the school lands held in trust for public education; payments for easements and rights-of-way over these lands; royalties and severance taxes paid on oil, gas and minerals produced from this lands; escheats; unclaimed property and other items provided by law. Income is distributed to public schools.

The State reports the following major enterprise fund:

Unemployment Compensation Fund. This fund accounts for the State's unemployment compensation benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

Capital Projects Fund. Reflects transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities.

Permanent Funds. Reflects transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens, such as veterans, state airports and others.

Proprietary Fund Types:

Enterprise Funds. Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has

decided that the determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Internal Service Funds. These funds account for fleet management, facilities management, accounting, risk management, communication, information technology, printing, purchasing, and postal services provided to other funds on a cost reimbursement basis.

Fiduciary Fund Types:

Pension Trust Funds. These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System, State Patrol Retirement System and Deferred Compensation pension benefits.

Private Purpose Trust Funds. These funds account for property escheated to the State held for private individuals, Nebraska College Savings Plan activity held for private individuals, and assets held for clients and inmates.

Agency Funds. These funds account for assets held by the State pending distribution to other governments and individuals.

In reporting the financial activity of its proprietary funds, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents. In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at

June 30, 2005, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

F. Investments. Investments as reported in the basic financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments of the State and its component units are stated at fair value based on quoted market prices. The State Treasurer is the custodian of all funds for the State; however, investments are under the responsibility of the Nebraska Investment Council or other administrative bodies as determined by law.

G. Receivables. Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

H. Inventories. Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Food stamps and commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of deferred revenue, in the Federal Fund. Food stamp inventory is reported at face value and commodities are reported at fair values established by the federal government at the date received.

I. Restricted Assets. Assets held by the trustees for the NETC Leasing Corporation, the Nebraska State Building Corporation, the State Revolving Fund, and the Master Lease Purchase Program are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable bond and lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.

J. Capital Assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Assets. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The State possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These collections are not capitalized by the State because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These assets include works of art and historical treasures, such as statues; historical documents; paintings; rare library books; and miscellaneous capitol-related artifacts and furnishings.

Generally, equipment that has a cost in excess of \$5 at the date of acquisition and has an expected useful life of two or more years is capitalized. Substantially all initial building costs, land and land improvements costing in excess of \$100 are capitalized. Building improvements and renovations in excess of \$100 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-10 years

The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: commit to maintaining and preserving affected assets at or above a condition level established by the State; maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is

being maintained; and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Roads are accounted for using the modified approach. Infrastructure acquired prior to June 30, 1980, is reported.

K. Compensated Employee Absences. All permanent employees earn sick and annual leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. The liability has been calculated using the vesting method, in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

State employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 220 days (or 180 days for non-union employees). Sick leave is not vested except upon death or upon reaching the age of 55, at which time, the State is liable for 25 percent of the employee's accumulated sick leave. In addition, some State agencies permit employees to accumulate compensatory leave rather than paying overtime.

The government-wide, proprietary, and fiduciary fund financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

L. Reservations. Reservations of fund balance are established to identify the existence of assets that are not available for subsequent year appropriations (i.e., prepaid items and inventories) or have been legally segregated for specific purposes. Assets of legally restricted budgetary funds are an example of this type of reservation. Reservations of fund balance are also established for assets that are not current in nature, such as long-term loans receivable.

M. Interfund Transactions. Interfund services provided and used are accounted for as revenues, expenditures or expenses in the funds involved. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

The effect of interfund activity has been eliminated from the government-wide financial statements.

N. Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments Portfolio

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash Equivalents and Investments on the June 30, 2005, basic financial statements. All securities purchased or held must either be in the custody of the State or deposited with an agent in the State's name.

Deposits. At June 30, 2005, the carrying amounts of the State's deposits were \$116,518 and the bank balances were \$162,928. All bank balances were covered by federal depository insurance or by collateral held by the State's agent in the State's name.

State Statutes require that the aggregate amount of collateral securities deposited by a bank with the State Treasurer shall be at least one hundred two percent of

the amount of public funds deposited in that bank, less the amount insured by the Federal Deposit Insurance Corporation. The State Treasurer had compensating balance agreements with various banks totaling \$46,959 at June 30, 2005.

Investments. State Statute Section 72-1239.01 authorizes the State Investment Officer to invest the State's funds in accordance with the prudent person rule. Certain State entities are also allowed by statute to invest in real estate and other investments.

The investment amounts for some funds presented in the fiduciary fund financial statements reflected audited financial statements for the period ended December 31, 2004. The investment risk disclosures presented below for fiduciary funds represent risks as of June 30, 2005.

The primary government's investments at June 30, 2005, are presented below. All investments are presented by investment type and debt securities are presented with effective duration presented in years.

PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2005

	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES		FIDUCIARY FUNDS	
	FAIR VALUE	EFFECTIVE DURATION	FAIR VALUE	EFFECTIVE DURATION
Debt Securities				
U.S. Treasury Securities	\$ 580,296	3.99	\$ 319,769	4.81
U.S. Agency Securities	805,755	3.28	466,510	4.07
Corporate Bonds	411,266	4.07	302,598	4.79
Collateral Mortgage Obligations	26,624	2.59	143,451	2.26
Asset Backed Securities	17,282	4.07	113,891	4.79
Commercial Paper	258,814	0.07	60,868	0.32
Money Market Mutual Funds	68,747	0.43	35,654	4.12
Municipal Bonds	1,424	10.31	3,060	6.41
	2,170,208		1,445,801	
Other Investments				
Equity Securities	44,642		715,662	
Mutual Funds	389,787		5,704,306	
Options	(114)		(626)	
Foreign Currency	-		1,084	
Real Estate Investment Trust	-		100,330	
Investment Contracts	537		120,774	
U.S. Treasury Investment Pool	159,020		-	
Less: Component Unit Investment in State Investment Pool	(331,416)		-	
Total Investments	2,432,664		8,087,331	
Securities Lending Short-term Collateral Investment Pool	488,541		357,658	
Total	\$ 2,921,205		\$ 8,444,989	

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investments full price. The State has contracts with investment managers that limit the effective duration to within one year of the effective duration of the benchmark.

Credit Risk of Debt Securities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State has contracts with investment managers that set minimum quality ratings for securities. The primary government's rated debt investments as of June 30, 2005, were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES INVESTMENTS AT JUNE 30, 2005

	FAIR VALUE	QUALITY RATINGS							
		AAA	AA	A	BBB	BB	B	A-1	UNRATED
U.S. Agency Securities	\$ 805,755	\$ 773,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,552
Corporate Bonds	411,266	171,177	163,451	61,278	9,421	5,621	318	-	-
Collateral Mortgage Obligations	26,624	19,059	296	322	198	203	381	-	6,165
Asset Backed Securities	17,282	10,993	-	161	379	-	-	-	5,749
Commercial Paper	258,814	-	-	-	-	-	-	251,470	7,344
Money Market Mutual Funds	68,747	-	-	-	-	-	-	-	68,747
Municipal Bonds	1,424	-	-	-	791	-	-	-	633

FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2005

	FAIR VALUE	QUALITY RATINGS							
		AAA	AA	A	BBB	BB	B	A-1	UNRATED
U.S. Agency Securities	\$ 497,248	\$ 410,544	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,704
Corporate Bonds	321,736	31,762	38,939	98,233	81,562	44,275	13,217	-	13,748
Collateral Mortgage Obligations	149,809	109,481	17,573	5,889	9,184	619	1,516	-	5,547
Asset Backed Securities	129,023	87,808	251	1,250	12,046	1,068	896	-	25,704
Commercial Paper	35,654	-	-	-	-	-	-	17,659	17,995
Money Market Mutual Funds	136,437	-	-	-	-	-	-	-	136,437
Municipal Bonds	2,570	1,522	1,048	-	-	-	-	-	-

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State has contracts with investment managers that limit the maximum amount for an issuer, excluding U.S. Treasury, U.S. Agency, mortgages and non-U.S. sovereign issuers, to 5 percent of the total account.

At June 30, 2005, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent or more of total investments in Federal Farm Credit Bank (7 percent), Federal Home Loan Bank (7 percent), Federal Home Loan Mortgage Corporation (7 percent), and Federal National Mortgage Corporation (8 percent). Fiduciary funds had no investments that exceeded 5 percent or more of total investments.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State has contracts with investment managers that limit foreign currency risk. Fiduciary fund exposure to

foreign currency risk is presented on the following table.

FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2005

	CASH	EQUITY SECURITIES	CORPORATE BONDS
Currency			
Australian Dollar	\$ 35	\$ 2,336	\$ -
Danish Krone	-	2,001	-
Euro Currency	601	69,885	420
Hong Kong Dollar	-	5,469	-
Japanese Yen	217	49,138	4,272
Malaysian Ringgit	15	-	-
Mexican Peso	-	3,750	-
Norwegian Krone	-	2,084	-
Pound Sterling	207	45,709	-
Singapore Dollar	-	1,357	-
South African Rand	-	1,609	-
South Korean Won	9	2,981	-
Swedish Krona	-	2,384	-
Swiss Franc	-	13,633	-
Thailand Baht	-	1,627	-
Total	<u>\$ 1,084</u>	<u>\$ 203,963</u>	<u>\$ 4,692</u>

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2005, is as follows:

Disclosure Regarding Deposits and Investments:

Total Investments	\$ 11,366,194
Carrying amount of Deposits	116,518
Total	<u>\$ 11,482,712</u>

Statement of Net Assets:

Cash and Cash Equivalents	\$ 411,114
Investments	2,010,595
Restricted Cash and Cash Equivalents	17,592
Securities Lending Collateral	488,541

Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	109,881
Investments	8,087,331
Securities Lending Collateral	357,658
Total	<u>\$ 11,482,712</u>

Securities Lending Transactions. The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's primary custodial bank administers the securities lending program and receives cash, United States government or government agency obligations, or convertible bonds at least equal in value to the market value of the loaned securities as collateral for securities of the type on loan at year-end. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of

securities that can be loaned, and there were no losses resulting from borrower default during the year.

Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations of 25 and 32 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. There is no loss indemnification provided to the State by the contract with the custodian.

Derivative Financial Instruments. Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates or financial indices. Over 80% of all such instruments are pension trust investments; the remaining are endowment investments. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Investment Council-approved Derivatives Policy. The State invests in collateral mortgage obligations and futures contracts. Collateral mortgage obligations, with a par value of \$347,023, are traded on exchanges and carried at fair value. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. The State invests in futures contracts related to securities of the U.S. Government or Government Agency obligations and futures based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in the futures contract value is settled daily in cash with the exchanges. At June 30, 2005, the State held futures contracts with a par value of \$173,000 and a fair value of \$0.

3. Receivables

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2005:

Governmental Activities:

General Fund	\$ 13,499
Federal Fund	17,177
Health and Social Services Fund	9,861
Total Governmental Activities	<u>\$ 40,537</u>

Business-type Activities:

Unemployment Compensation	\$ 6,067
Total Business-type Activities	<u>\$ 6,067</u>

Of the taxes and other receivables, \$10,509 and \$17,887, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred revenue in the General Fund and the Health and Social Services Fund.

4. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 472,775	\$ 22,502	\$ 1,210	\$ 494,067
Infrastructure	6,155,691	105,891	-	6,261,582
Construction in progress	55,288	11,331	735	65,884
Total capital assets, not being depreciated	<u>6,683,754</u>	<u>139,724</u>	<u>1,945</u>	<u>6,821,533</u>
Capital assets, being depreciated:				
Buildings and improvements	430,682	5,908	7,450	429,140
Equipment	332,675	38,701	35,523	335,853
Total capital assets, being depreciated	<u>763,357</u>	<u>44,609</u>	<u>42,973</u>	<u>764,993</u>
Less accumulated depreciation for:				
Buildings and improvements	188,685	14,138	2,828	199,995
Equipment	230,243	43,599	43,026	230,816
Total accumulated depreciation	<u>418,928</u>	<u>57,737</u>	<u>45,854</u>	<u>430,811</u>
Total capital assets, being depreciated, net	<u>344,429</u>	<u>(13,128)</u>	<u>(2,881)</u>	<u>334,182</u>
Governmental activities capital assets, net	<u>\$ 7,028,183</u>	<u>\$ 126,596</u>	<u>\$ (936)</u>	<u>\$ 7,155,715</u>
Business-type activities:				
Unemployment Compensation				
Equipment, being depreciated	\$ 251	\$ 144	\$ 22	\$ 373
Less accumulated depreciation	244	30	18	256
Total Unemployment Compensation, net	<u>7</u>	<u>114</u>	<u>4</u>	<u>117</u>
Nonmajor Enterprise Funds				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	<u>315</u>	<u>-</u>	<u>-</u>	<u>315</u>
Capital assets, being depreciated:				
Buildings and improvements	6,023	71	-	6,094
Equipment	4,124	399	-	4,523
Total capital assets, being depreciated	<u>10,147</u>	<u>470</u>	<u>-</u>	<u>10,617</u>
Less accumulated depreciation for:				
Buildings and improvements	1,448	173	-	1,621
Equipment	2,597	281	-	2,878
Total accumulated depreciation	<u>4,045</u>	<u>454</u>	<u>-</u>	<u>4,499</u>
Total capital assets, being depreciated, net	<u>6,102</u>	<u>16</u>	<u>-</u>	<u>6,118</u>
Total Nonmajor Enterprise, net	<u>6,417</u>	<u>16</u>	<u>-</u>	<u>6,433</u>
Business-type activities capital assets, net	<u>\$ 6,424</u>	<u>\$ 130</u>	<u>\$ 4</u>	<u>\$ 6,550</u>

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General Government	\$ 24,101
Conservation of Natural Resources	1,654
Culture – Recreation	1,709
Economic Development and Assistance	272
Education	4,129
Health and Social Services	861
Public Safety	7,690
Regulation of Business and Professions	272
Transportation	17,049
Total depreciation expense -	
Governmental activities	<u>\$ 57,737</u>

Construction Commitments. At June 30, 2005, the State had contractual commitments of approximately \$599,081 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 103,296
State funds	463,879
Local funds	31,906
	<u>\$ 599,081</u>

Most of these commitments will not be reflected as capital asset increases when they are paid because the State is using the modified approach to account for infrastructure. Under this method, capital asset additions are only reflected when improvements expand the capacity or efficiency of an asset.

5. Interfund Balances

Due To/From Other Funds at June 30, 2005, consists of the following:

	DUE TO									TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
DUE FROM										
General Fund	\$ -	\$ 91	\$ 843	\$ 83	\$ -	\$ 128	\$ 5	\$ 28,180	\$ 18,412	\$ 47,742
Highway Fund	1	-	2	-	-	284	-	6,409	10	6,706
Federal Fund	66,823	10	-	2,576	-	1,729	10	2,389	1	73,538
Health and Social Services	17	-	1,496	-	-	2,149	-	13,011	-	16,673
Permanent School Fund	-	-	-	-	-	-	-	2	-	2
Nonmajor Governmental Funds	3,937	22	580	1	-	58	1	3,745	651	8,995
Nonmajor Enterprise Funds	5	-	-	-	-	-	-	34	-	39
Internal Service Funds	253	475	88	62	29	163	-	241	-	1,311
Fiduciary Funds	-	-	1,715	-	2,389	28	-	71	-	4,203
TOTALS	\$ 71,036	\$ 598	\$ 4,724	\$ 2,722	\$ 2,418	\$ 4,539	\$ 16	\$ 54,082	\$ 19,074	\$ 159,209

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilities, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature, except for \$47,400 due from the General Fund, Highway Fund, Health and Social Services, and Nonmajor Governmental Funds to internal service funds for workers compensation liability.

Interfund transfers at June 30, 2005, consist of the following:

	TRANSFERRED TO:					TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	
TRANSFERRED FROM:						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 27,313	\$ 27,313
Highway Fund	2,000	-	-	-	7,647	9,647
Federal Fund	-	-	-	-	19,632	19,632
Health & Social Services Fund	1,347	-	-	-	559	1,906
Nonmajor Governmental Funds	46,412	13,007	2	50	8,380	67,851
Nonmajor Enterprise Funds	5,000	-	-	708	20,664	26,372
TOTALS	\$ 54,759	\$ 13,007	\$ 2	\$ 758	\$ 84,195	\$ 152,721

Transfers are used to (1) move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move profits from the State Lottery Fund as required by law.

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the financial statements at June 30, 2005, consists of the following:

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Other Funds	Unemployment Compensation	Nonmajor Enterprise Funds	TOTALS
Payroll and Withholdings	\$ 12,069	\$ 6,040	\$ 3,183	\$ 662	\$ -	\$ 1,653	\$ 1,662	\$ 2	\$ 237	\$ 25,508
Payables and Accruals	63,441	55,911	56,009	32,155	22,667	21,600	13,128	2,855	10,222	277,988
Due to Fiduciary Funds *	-	-	-	-	-	-	19,074	-	-	19,074
Miscellaneous	679	-	795	197	7	4,388	1,032	164	70	7,332
TOTALS	\$ 76,189	\$ 61,951	\$ 59,987	\$ 33,014	\$ 22,674	\$ 27,641	\$ 34,896	\$ 3,021	\$ 10,529	\$ 329,902

* This amount represents amounts due to fiduciary funds, which were classified as external payables on the government-wide Statement of Net Assets.

7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2005, are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
Claims Payable	\$ 393,605	\$ 1,518,628	\$ 1,494,550	\$ 417,683	\$ 348,063
Bonds Payable	27,265	-	3,835	23,430	3,995
Capital Lease Obligations	27,235	3,344	5,652	24,927	5,903
Obligations Under Other Financing Arrangements	11,230	1,890	1,690	11,430	665
Compensated Absences	108,974	18,508	17,236	110,246	15,909
Pension Benefit Obligation	112	15,948	-	16,060	-
Totals	\$ 568,421	\$ 1,558,318	\$ 1,522,963	\$ 603,776	\$ 374,535
Business-type Activities:					
Unemployment Compensation:					
Claims Payable	\$ 15,114	\$ 115,313	\$ 117,339	\$ 13,088	\$ 13,088
Compensated Absences	65	4	54	15	2
Totals for Unemployment Compensation	15,179	115,317	117,393	13,103	13,090
Nonmajor Enterprise Funds:					
Claims Payable	52,000	1,451	13,451	40,000	14,373
Compensated Absences	412	144	59	497	71
Totals for Nonmajor Enterprise Funds	52,412	1,595	13,510	40,497	14,444
Totals for Business-type Activities	\$ 67,591	\$ 116,912	\$ 130,903	\$ 53,600	\$ 27,534

Claims payable, compensated absences and capital lease obligations typically have been liquidated in the general, special revenue and internal service funds. Bonds payable and obligations under other financing arrangements have been liquidated in the special revenue funds.

8. Bonds Payable

Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, there is a provision in the State's Constitution that permits the issuance of revenue

bonds for: (1) construction of highways; and (2) construction of water conservation and management structures. At June 30, 2005, there was no outstanding debt for either of these purposes.

The State created the NETC Leasing Corporation for the purpose of acquiring property to be leased to and purchased by the State. In February 2000, the NETC Leasing Corporation issued \$22,515 of lease rental revenue bonds to construct and acquire digital television facilities and equipment and related facilities. In May 2002, the NETC Leasing Corporation issued \$9,850 of lease rental revenue bonds to renovate facilities. The

NETC Leasing Corporation is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The obligations outstanding at June 30, 2005 are collateralized by the revenues of the NETC Leasing Corporation, which consist primarily of rental paid by the State.

The State created the Nebraska State Building Corporation (NSBC) to finance the purchase of a building used by the State for its data processing and general services operations. In September 1987, the NSBC issued \$7,700 of lease revenue bonds to finance the purchase of the building. In June 1992, the NSBC issued \$7,645 of lease revenue bonds to refund the 1987 bonds. In June 2002, the NSBC issued \$4,155 of lease revenue bonds to refund the 1992 bonds. The NSBC is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The obligations outstanding at June 30, 2005 are

collateralized by the revenues of the NSBC, which consist primarily of building rental paid by the State.

The component units issue bonds for various purposes including student housing, parking facilities and special event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

All outstanding bond issues of the University of Nebraska Facilities Corporation and the Nebraska State College Facilities Corporation are general obligations of these corporations. They are separate legal entities that are not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The obligations outstanding at June 30, 2005 are collateralized by a special allocation of a portion of the State cigarette tax.

	DATES ISSUED	MATURITY DATES	INTEREST RATES	BALANCE JUNE 30, 2005
BONDS PAYABLE				
PRIMARY GOVERNMENT				
NETC Leasing Corporation Issue	2000,2002	2001-2010	2.70%-6.00%	\$ 20,810
Nebraska State Building Corporation Issue	2002	2002-2009	1.50%-3.85%	2,620
Primary Government Total				<u>\$ 23,430</u>
COMPONENT UNITS				
University of Nebraska	1993-2004	1993-2038	1.60%-5.70%	\$ 368,595
Nebraska State Colleges	1999-2003	2001-2028	1.60%-5.05%	32,525
Component Units Total				<u>\$ 401,120</u>

PRIMARY GOVERNMENT DEBT SERVICE REQUIREMENTS TO MATURITY			
YEAR	PRINCIPAL	INTEREST	TOTAL
2006	3,995	1,209	5,204
2007	4,195	1,014	5,209
2008	4,405	808	5,213
2009	5,985	584	6,569
2010	4,850	291	5,141
Total	<u>\$ 23,430</u>	<u>\$ 3,906</u>	<u>\$ 27,336</u>

COMPONENT UNITS DEBT SERVICE REQUIREMENTS TO MATURITY			
YEAR	PRINCIPAL	INTEREST	TOTAL
2006	27,890	18,698	46,588
2007	25,100	17,495	42,595
2008	25,440	16,393	41,833
2009	29,340	15,200	44,540
2010	30,240	13,875	44,115
2011-2015	98,980	55,094	154,074
2016-2020	63,040	35,143	98,183
2021-2025	50,750	19,389	70,139
Thereafter	50,340	16,932	67,272
Total	<u>\$ 401,120</u>	<u>\$ 208,219</u>	<u>\$ 609,339</u>

Bond Defeasances – Component Units

On July 15, 2003, the University of Nebraska at Kearney issued \$3,705 of Refunding Bonds to refund \$520 of outstanding 1993 Series Bonds and \$3,495 of outstanding 1994 Series Bonds. As a result, the 1993 and 1994 bonds have been removed from the Statement of Net Assets. The refunding reduced total debt service payments by approximately \$890 and resulted in an economic gain of approximately \$382.

In 2004, the University of Nebraska Board of Regents authorized its own Series 2004A Revenue and Refunding Bonds. On June 3, 2004, the Board of Regents paid to the University of Nebraska Facilities Corporation \$13,358 and \$1,918, which was deposited into an irrevocable trust with an escrow agent to defease outstanding 1997 Series Bonds maturing on or after November 1, 2005 and on November 1, 2004, respectively. As a result, the 1997 bonds are considered to be defeased. This transaction reduced total debt service payments by approximately \$461 and resulted in an economic gain of approximately \$109.

In prior years, the University and its component units defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and

liabilities for the defeased bonds are not included in the University's financial statements. At June 30, 2005, \$24,060 of defeased bonds are outstanding.

9. Lease Commitments

Capital and Operating Leases. The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Although the lease terms may vary, all leases are subject to annual appropriation by the Legislature.

The minimum annual lease payments and the present value of future minimum payments for capital leases as of June 30, 2005 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2006	\$ 6,787
2007	6,287
2008	4,678
2009	4,463
2010	2,028
2011-2015	2,657
2016-2020	1,350
Total Minimum Payments	28,250
Less: Interest and executory costs	3,323
Present value of net minimum payments	<u>\$ 24,927</u>

Capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of property and equipment under capital leases as of June 30, 2005:

	GOVERNMENTAL ACTIVITIES
Buildings	\$ 7,070
Equipment	35,338
Less: accumulated depreciation	(16,558)
Carrying value	<u>\$ 25,850</u>

The minimum annual lease payments for operating leases as of June 30, 2005 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2006	\$ 8,158
2007	3,620
2008	3,180
2009	3,121
2010	3,091
2011-2015	2,703
2016-2020	534
Total	<u>\$ 24,407</u>

Primary Government operating lease payments for the year ended June 30, 2005 totaled \$12,921.

Lessor Transactions. The State also is a lessor of property, primarily farm land leased by the Board of Educational Lands and Funds to farmers and ranchers. At June 30, 2005, the State owned approximately 1.5 million acres of land that was under lease, with a cost and carrying amount of \$3,000. Under the terms of the leases, the annual payments are subject to change based on annual market analysis. Total rents of \$26,001 were received under these and other lease agreements for the year ended June 30, 2005.

10. Obligations Under Other Financing Arrangements

The State has entered into special financing arrangements with certain public benefit corporations to fund certain grant programs. Under these arrangements, the State enters into an agreement with a public benefit corporation, the Nebraska Investment Finance Authority (NIFA), whereby NIFA issues bonds, the proceeds of which, along with federal capitalization grants, are used to provide loans to various municipalities and local units of government in Nebraska that qualify for such loans. Such loans are used for improvements to wastewater and drinking water treatment facilities. Funds to repay NIFA come from the municipalities and units of government to which the loans are given.

A summary of the future minimum contractual obligations including interest at rates from 1.60 percent to 5.70 percent is as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2006	\$ 665	\$ 533	\$ 1,198
2007	710	488	1,198
2008	735	460	1,195
2009	770	430	1,200
2010	805	397	1,202
2011-2015	4,595	1,393	5,988
2016-2020	3,150	225	3,375
Total	<u>\$ 11,430</u>	<u>\$ 3,926</u>	<u>\$ 15,356</u>

11. Pension Plans

Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of seven members, was created in 1971 to administer the Nebraska retirement plans then in existence. Those plans were the School, State Employees', Judges' and State Patrol plans. In October of 1973, the Board assumed the administration of the Nebraska Counties Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a) and 414(h). Contribution and benefit provisions are established by State law and may only be amended by the State Legislature.

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

Basis of Accounting. The financial statements of the plans are prepared using the accrual basis of accounting, and are included as pension trust funds in the accompanying financial statements. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Plan Description and Funding Policy. By State law, there is to be an equitable allocation of expenses among the retirement systems administered by the Board, and all expenses shall be provided from the investment income earned by the various retirement funds. Following is a summary of each of these plans:

State Employees' Retirement. The single-employer plan became effective by statute on January 1, 1964. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered employees of the State. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the plan on and after January 1, 2003, become members of the cash balance benefit. The amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the fiscal year ended December 31, 2004.

Participation in the plan is required for all permanent full-time employees upon completion of 12 months

of continuous service. Each member contributes 4.33 percent of their compensation until \$864 (not in thousands) has been paid and 4.8 percent of pay for the rest of the calendar year. The State matches a member's contribution at a rate of 156 percent.

As of December 31, 2004, there were 15,025 active members and 2,166 inactive members. Members contributed \$23,709 and the State contributed \$37,083 during the year ended December 31, 2004, which was equal to required contributions.

County Employees' Retirement. In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. This multiple-employer plan covers employees of 91 of the 93 counties and several county health districts. Douglas and Lancaster counties have separate retirement plans for their employees by State law. Prior to January 1, 2003, the plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The amounts presented in the accompanying financial statements for the County Employees' Retirement System are for the fiscal year ended December 31, 2004.

Participation in the plan is required of all full-time employees upon the completion of 12 months of continuous service and of all full-time elected officials. Full-time or part-time employees (working less than one-half of regularly scheduled hours) may elect voluntary participation upon reaching age 20 and completing a total of 12 months service within a five-year period. Part-time elected officials may exercise the option to join. County employees and elected officials contribute four and one half percent and commissioned law enforcement personnel (for participating counties with an excess of 85,000 inhabitants) contribute five and one half percent of their total compensation. The counties match a member's contribution at a rate of 150 percent. The State is not required to contribute to this plan.

As of December 31, 2004, there were 6,583 active members and 1,014 inactive members. Members contributed \$7,959 and counties contributed \$11,863 during the year ended December 31, 2004, which was equal to required contributions.

School Retirement. The School Retirement System is a cost-sharing multiple-employer defined benefit pension plan with 515 participating school districts. All regular public school employees in Nebraska,

other than those who have their own retirement plan, are members of the system. The benefits are based on both service and contributions.

The State's contribution is based on an annual actuarial valuation. The employees' contribution was 7.25 percent of their total pay to August 31, 2005, and 7.98 percent through August 31, 2006. The school district's contribution is 101 percent of the employees' contribution.

Judges' Retirement. The Judges' Retirement System is a single-employer defined benefit pension system. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Court, Workers' Compensation Court, County Court, and Juvenile Court. Benefits are based on both service and final average salary. Benefits vest when the judge takes office.

Members' contributions, a portion of court fees collected, and the State's contribution, which is based on an annual actuarial valuation, fund the

plan. The judges contribute six percent of their salary.

State Patrol Retirement. The State Patrol Retirement System is a single-employer defined benefit pension system for officers of the patrol. The benefits are based on a percentage of the final average salary multiplied by years of service, not to exceed 75 percent of the average salary. Participation is mandated upon employment.

Members are required to contribute twelve percent of their monthly salary, which is matched by the State Patrol. The State's contribution is based on an annual actuarial valuation.

The following tables provide the schedules of funding progress and the primary actuarial assumptions used in the most recent actuarial reports for the single-employer defined benefit plans:

**UNAUDITED REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(a-b) Excess of Assets over AAL (Unfunded AAL)	(a/b) Funded Ratio	(c) Covered Payroll	((a-b)/c) Excess/UAAL as a Percentage of Covered Payroll
State Cash Balance						
12/31/2004	\$ 297,573	\$ 272,300	\$ 25,273	109.3 %	\$ 192,619	13.1 %
12/31/2003	254,176	241,192	12,984	105.4	171,324	7.6
Judges'						
6/30/2005	\$ 94,923	\$ 98,513	\$ (3,590)	96.4 %	\$ 16,285	(22.0)%
6/30/2004	92,811	95,671	(2,860)	97.0	16,655	(17.2)
6/30/2003	91,864	85,388	6,476	107.6	16,402	39.5
State Patrol						
6/30/2005	\$ 219,831	\$ 236,026	\$ (16,195)	93.1 %	\$ 22,882	(70.8)%
6/30/2004	216,423	222,162	(5,739)	97.4	22,641	(25.3)
6/30/2003	214,657	210,931	3,726	101.8	21,929	17.0

	STATE CASH BALANCE	JUDGES' RETIREMENT	STATE PATROL RETIREMENT
Actuarial Valuation Date	12/31/2004	6/30/2005	6/30/2005
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Amount Closed	Level Amount Closed	Level Amount Closed
Amortization Period	25 Years	24 Years	25 Years
Mortality	1994 Group Annuity Table	1994 Group Annuity Table	1994 Group Annuity Table
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return **	7.6%	8.0%	8.0%
Projected Salary Increases **	Graded 9.1% to 4.5%	5.0%	Graded 12.0% to 4.5%

** Includes assumed inflation of 3.5% per year.

UNAUDITED THREE-YEAR TREND INFORMATION			
YEAR ENDED JUNE 30	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
State Cash Balance			
2005	\$ 13,171	100%	\$ -
2004	11,226	100%	-
County Cash Balance			
2005	\$ 4,869	100%	\$ -
2004	4,093	100%	-
School			
2005	\$ 29,786	90%	\$ 14,928
2204	14,155	100%	-
2003	13,120	100%	-
Judges'			
2005	\$ 2,712	84%	\$ 434
2004	2,074	100%	-
2003	1,292	50%	646
State Patrol			
2005	\$ 3,876	82%	\$ 698
2004	3,019	96%	112
2003	2,653	100%	-

12. Contingencies and Commitments

Grants and Contracts. The State participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State.

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. Management believes that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State.

Litigation. The State is named as a party in legal proceedings that occur in the normal course of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of State and Federal laws. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the State for these proceedings. It is the State's opinion that the ultimate liability for these and other proceedings is

not expected to have a material adverse effect on the State's financial position.

The State also has been named as a party in legal proceedings that occur outside of the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State for all of these proceedings. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

The Excess Liability Fund (Fund) of the State was established to account for activity resulting from the Nebraska Hospital-Medical Liability Act (the Act). Revenues of this fund are earned primarily from insurance premiums from certain health care providers covered under the Residual Authority administered by the Fund plus a surcharge levied on all participating health care providers in Nebraska. Expenses from this fund are used to pay judgments against participating health care providers. Under the Act, the State is limited to \$1,750 per occurrence. The State initially was a party to more than 80 lawsuits involving a doctor and other health care providers in Nebraska by former patients seeking recovery of damages for professional negligence and medical malpractice resulting in the claimant-patients being exposed to or contracting Hepatitis C. The majority of the claims have been settled and only a few remain. The State accrues for claims against the Fund when payments associated with the claims become probable and can be reasonably estimated for financial statement purposes. The State has recorded a reserve as Claims Payable for this litigation in the Fund and Government-wide Financial Statements. Management of the State believes the accrual for claims payable is appropriate based on information currently available. Management of the State also believes the State has no separate obligation to satisfy any financial obligation of the Fund. The actual costs of resolving the remaining claims against the State may differ substantially from the amounts accrued.

13. Risk Management

Through the Department of Administrative Services, Divisions of Risk Management and State Personnel, the State maintains insurance and self-insurance programs. Workers' compensation, health care, employee liability and general liability are generally self-insured. However, the State does carry surety bonds for constitutional officers and limited general liability on two buildings. Motor vehicle liability is insured with a \$5,000 limit and a \$300 retention per occurrence (the self-insured retention for vehicular pursuit is \$1,000) and employee dishonesty is insured with a \$1,000 limit with a \$25 retention per incident. The State insures against property damage, maintaining a policy with a \$100,000 limit and a \$200 retention per occurrence. The State also carries some insurance for personal property

damage. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. The Division of State Personnel provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The liability for workers' compensation is recorded at a discounted rate of three percent (\$8,224), which resulted in a liability of \$51,999.

Changes in the balances of claims liabilities during the years ended June 30, 2005, and 2004, were as follows:

	Fiscal Year	
	2005	2004
Beginning Balance	\$ 60,329	\$ 63,360
Current Year Claims and Changes in Estimates	152,259	135,479
Claim Payments	(148,377)	(138,510)
Ending Balance	<u>\$ 64,211</u>	<u>\$ 60,329</u>

14. Joint Venture

The Board of Regents of the University of Nebraska and Bishop Clarkson Memorial Hospital (Clarkson) entered into a Joint Operating Agreement in 1997 forming the Nebraska Health System, a Nebraska nonprofit corporation doing business as the Nebraska Medical Center (NMC). A Board of Directors comprised of six members appointed by Clarkson and six members appointed by the Board of Regents govern

NMC. Upon dissolution of NMC, the University and Clarkson will share equally in the remaining net assets. Because the University has an ongoing financial interest in NMC, the University is accounting for the joint venture under the equity method. The University has recorded fifty percent equity in the change in net assets of NMC for the year ended June 30, 2005 totaling approximately \$18,218. In addition, to the extent that sufficient funds are available as determined by the NMC Board of Directors, the University will receive an annual capital distribution. A distribution of \$3,000 was declared and paid out for fiscal year 2005.

In conjunction with the Joint Operating Agreement, the Board of Regents also entered into an Academic Affiliation Agreement for Education and Research with NMC. In connection with this agreement, NMC has agreed to financially support certain educational, research, operational and clinical activities of the University that further the mission and objectives of NMC. During the year ended June 30, 2005, the University received approximately \$21,678 of support in connection with the agreement.

Separate financial statements of NMC can be obtained from the Nebraska Medical Center, 42nd Street and Dewey Avenue, Omaha NE 68105.

15. Accounting Changes

The amounts presented in the accompanying financial statements for the College Savings Plan are for the fiscal year ended December 31, 2004. In the statements for prior year, the amounts presented were for the fiscal year ended June 30, 2004. In order to reflect a full year's activity, the Beginning Net Assets of the Private Purpose Trust, Fiduciary Funds, were decreased by \$172,460 to reflect the audited financial statements of the College Savings Plan as of December 31, 2003.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures, An Amendment of GASB Statement No. 3*, was implemented during fiscal year 2005. As a result, the disclosures related to deposit and investment risk were changed. The changes are reflected in Note 2.

REQUIRED SUPPLEMENTARY INFORMATION



State of Nebraska
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2005

(Dollars in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ 2,685,431	\$ 2,898,952	\$ 2,947,146	\$ 48,194
Federal Grants and Contracts	49	49	49	-
Sales and Charges	21,380	21,380	21,380	-
Other	21,149	21,149	21,149	-
TOTAL REVENUES	2,728,009	2,941,530	2,989,724	48,194
EXPENDITURES:				
Current:				
General Government	124,386	124,735	115,607	9,128
Conservation of Natural Resources	38,318	37,868	28,636	9,232
Culture – Recreation	5,397	5,375	5,180	195
Economic Development and Assistance	5,333	5,259	5,168	91
Education	1,350,950	1,348,771	1,327,580	21,191
Health and Social Services	1,008,046	999,253	946,751	52,502
Public Safety	208,735	195,846	179,253	16,593
Regulation of Business and Professions	3,795	3,714	3,310	404
Transportation	103	97	93	4
Intergovernmental	85,699	87,262	87,031	231
TOTAL EXPENDITURES	2,830,762	2,808,180	2,698,609	109,571
Excess of Revenues Over (Under) Expenditures	(102,753)	133,350	291,115	157,765
OTHER FINANCING SOURCES (USES):				
Transfers In	190,409	190,409	190,409	-
Transfers Out	(163,750)	(163,750)	(163,750)	-
Other	137	137	137	-
TOTAL OTHER FINANCING SOURCES (USES)	26,796	26,796	26,796	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(75,957)	160,146	317,911	157,765
FUND BALANCES, JULY 1	261,026	261,026	261,026	-
FUND BALANCES, JUNE 30	\$ 185,069	\$ 421,172	\$ 578,937	\$ 157,765

A reconciliation of the budgetary basis versus GAAP fund balance for the
General Fund as of June 30, 2005, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2005	
General	\$ 401,769
Cash Reserve	177,168
Budgetary fund balances	578,937
DIFFERENCES DUE TO BASIS OF ACCOUNTING:	
Record taxes receivable	308,186
Record tax refund liability	(243,589)
Record State contributions due pension funds	(17,796)
Record claims payable	(230,332)
Record other net accrued receivables and liabilities	13,897
GAAP fund balance, June 30, 2005	\$ 409,303

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CASH FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)

	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ 92,790	\$ 92,790	\$ 92,790	\$ -
Federal Grants and Contracts	342,002	342,002	342,002	-
Sales and Charges	351,937	351,937	351,937	-
Other	211,498	211,498	211,498	-
TOTAL REVENUES	998,227	998,227	998,227	-
EXPENDITURES:				
Current:				
General Government	68,100	69,400	44,880	24,520
Conservation of Natural Resources	80,685	81,959	40,643	41,316
Culture – Recreation	26,856	26,866	18,871	7,995
Economic Development and Assistance	36,985	36,985	13,302	23,683
Education	354,987	374,015	276,733	97,282
Health and Social Services	179,084	179,009	114,649	64,360
Public Safety	40,098	40,780	24,505	16,275
Regulation of Business and Professions	175,598	175,898	130,675	45,223
Transportation	672,179	704,379	645,260	59,119
Intergovernmental	6,875	7,872	6,892	980
TOTAL EXPENDITURES	1,685,726	1,741,442	1,332,224	409,218
Excess of Revenues Over (Under) Expenditures	(687,499)	(743,215)	(333,997)	409,218
OTHER FINANCING SOURCES (USES):				
Transfers In	828,044	828,044	828,044	-
Transfers Out	(455,399)	(455,399)	(455,399)	-
Other	2,286	2,286	2,286	-
TOTAL OTHER FINANCING SOURCES (USES)	374,931	374,931	374,931	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(312,568)	(368,284)	40,934	409,218
FUND BALANCES, JULY 1	592,722	592,722	592,722	-
FUND BALANCES, JUNE 30	\$ 280,154	\$ 224,438	\$ 633,656	\$ 409,218

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2005, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2005

Cash	\$ 633,656
Construction	1,648
Federal	51,782
Revolving	168,842

Budgetary fund balances 855,928

DIFFERENCES DUE TO BASIS OF ACCOUNTING AND NONMAJOR FUNDS: 946,506

GAAP fund balance, June 30, 2005 \$ 1,802,434

Actual Fund Balances of Major Funds, June 30, 2005

Highway	\$ 141,061
Federal	20,319
Health and Social Services	393,283
Permanent School	391,843

GAAP fund balance, June 30, 2005 \$ 946,506

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

CONSTRUCTION FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)

	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	51	51	51	-
TOTAL REVENUES	<u>51</u>	<u>51</u>	<u>51</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	19	19	-	19
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	8,851	8,851	8,025	826
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Intergovernmental	-	-	-	-
TOTAL EXPENDITURES	<u>30,812</u>	<u>30,754</u>	<u>23,125</u>	<u>7,629</u>
Excess of Revenues Over (Under) Expenditures	<u>(30,761)</u>	<u>(30,703)</u>	<u>(23,074)</u>	<u>7,629</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	23,129	23,129	23,129	-
Transfers Out	-	-	-	-
Other	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>23,129</u>	<u>23,129</u>	<u>23,129</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(7,632)</u>	<u>(7,574)</u>	<u>55</u>	<u>7,629</u>
FUND BALANCES, JULY 1	<u>1,593</u>	<u>1,593</u>	<u>1,593</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u><u>\$ (6,039)</u></u>	<u><u>\$ (5,981)</u></u>	<u><u>\$ 1,648</u></u>	<u><u>\$ 7,629</u></u>

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FEDERAL FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	2,048,032	2,048,032	2,048,032	-
Sales and Charges	12,753	12,753	12,753	-
Other	14,480	14,480	14,480	-
TOTAL REVENUES	2,075,265	2,075,265	2,075,265	-
EXPENDITURES:				
Current:				
General Government	7,901	8,466	3,662	4,804
Conservation of Natural Resources	62,870	69,799	47,981	21,818
Culture – Recreation	3,517	3,517	1,830	1,687
Economic Development and Assistance	97,622	97,990	63,342	34,648
Education	543,046	622,740	543,171	79,569
Health and Social Services	1,402,407	1,536,086	1,333,151	202,935
Public Safety	95,648	120,320	81,974	38,346
Regulation of Business and Professions	1,338	2,479	2,007	472
Transportation	-	-	-	-
Intergovernmental	-	-	-	-
TOTAL EXPENDITURES	2,228,414	2,475,343	2,079,124	396,219
Excess of Revenues Over (Under) Expenditures	(153,149)	(400,078)	(3,859)	396,219
OTHER FINANCING SOURCES (USES):				
Transfers In	6,619	6,619	6,619	-
Transfers Out	(7,178)	(7,178)	(7,178)	-
Other	(316)	(316)	(316)	-
TOTAL OTHER FINANCING SOURCES (USES)	(875)	(875)	(875)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(154,024)	(400,953)	(4,734)	396,219
FUND BALANCES, JULY 1	56,516	56,516	56,516	-
FUND BALANCES, JUNE 30	\$ (97,508)	\$ (344,437)	\$ 51,782	\$ 396,219

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

REVOLVING FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	3,775	3,775	3,775	-
Sales and Charges	396,498	396,498	396,498	-
Other	124,012	124,012	124,012	-
TOTAL REVENUES	524,285	524,285	524,285	-
EXPENDITURES:				
Current:				
General Government	217,960	217,660	143,528	74,132
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	573	573	370	203
Education	379,215	410,796	360,735	50,061
Health and Social Services	-	-	-	-
Public Safety	21,003	21,003	13,327	7,676
Regulation of Business and Professions	-	-	-	-
Transportation	1,000	1,000	-	1,000
Intergovernmental	-	-	-	-
TOTAL EXPENDITURES	619,751	651,032	517,960	133,072
Excess of Revenues Over (Under) Expenditures	(95,466)	(126,747)	6,325	133,072
OTHER FINANCING SOURCES (USES):				
Transfers In	36,472	36,472	36,472	-
Transfers Out	(33,893)	(33,893)	(33,893)	-
Other	560	560	560	-
TOTAL OTHER FINANCING SOURCES (USES)	3,139	3,139	3,139	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(92,327)	(123,608)	9,464	133,072
FUND BALANCES, JULY 1	159,378	159,378	159,378	-
FUND BALANCES, JUNE 30	\$ 67,051	\$ 35,770	\$ 168,842	\$ 133,072

See independent auditors' report

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2005

Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, all State agencies, including the university and colleges, must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, subprograms, and activities. The Governor reviews the agency requests, establishes priorities, and presents the Legislature with one or more pieces of legislation covering the biennium. The Legislature holds hearings on the Governor's proposed budget, adopts changes and presents final legislation to the Governor. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The approved appropriations set spending limits by fund type for programs within each agency. These limits may include up to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the State Accounting Division of the Department of Administrative Services.

Appropriations are made for each fiscal year of the biennium; balances at the end of the first fiscal year are carried over into the second fiscal year, unless directed otherwise by the Legislature. For most appropriations, balances lapse at the end of the biennium.

The budgetary fund types used by the State differ from those presented in the basic financial statements. The budgetary funds, which are listed below, are generally segregated by revenue sources. Of these seven fund types, only the first five are subject to the spending limits set by the appropriations bills. The General Fund is the only major fund that corresponds to a budgetary fund type.

General Fund. To account for activities funded by general tax dollars, primarily sales and income taxes.

Cash Reserve Fund. To account for financial resources used as a reserve for the General Fund if the General Fund balance should become inadequate to meet current obligations. The Cash Reserve Fund is part of the budgetary basis fund balance.

Cash Funds. To account for the financing of goods or services provided by a State agency to individuals or entities outside State government on a cost-reimbursement basis, and to account for the revenues and expenditures related to highway construction.

Construction Funds. To account for financial resources to be used for the acquisition or construction of major capital facilities.

Federal Funds. To account for the financial resources related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts, except for federal highway monies accounted for in the Cash Funds.

Revolving Funds. To account for the financing of goods or services provided by one State agency to another State agency on a cost-reimbursement basis.

Trust Funds. To account for assets held in a trustee capacity.

Distributive Funds. To account for assets held as an agent for individuals, private organizations, and other governments and/or other funds.

The accompanying basic financial statements were prepared by converting budgetary fund data into the fund format required by GAAP. The cash basis of accounting is used for all budgetary fund types.

All State budgetary expenditures for the general, cash, construction, federal and revolving fund types are made pursuant to appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may allocate appropriations between object of expenditure accounts, except that personal service expenditures that exceed limitations contained in the appropriations bill require Legislative amendment. Any changes in appropriations are made through an annual deficit bill or other legislation. Appropriations from the federal fund type are considered to be estimated and the Legislature has approved an administrative procedure for changing them. During fiscal year 2005, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2005, there were no budgetary programs in which expenditures exceeded appropriations. Revenues are not budgeted for any funds except for General Fund tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION **INFORMATION ABOUT INFRASTRUCTURE ASSETS** **REPORTED USING THE MODIFIED APPROACH**

For the Year Ended June 30, 2005

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of highway and bridges the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Measurement Scale

The Nebraska Department of Roads uses the Nebraska Serviceability Index (NSI) to measure and monitor pavement conditions. The NSI is a numerical pavement rating scale used to monitor the condition on a scale ranging from 0 to 100 with 0 being the worst and 100 being the best. NSI represents the condition of the pavement at the time of measurement and is based on pavement’s surface distresses. Surface distresses include cracking, patching, roughness, rutting, and faulting.

Established Condition Level

It is the policy of the Nebraska Department of Roads to maintain at least an overall system rating of 72 percent or above.

Assessed Condition

The State assesses conditions on a calendar year basis. The following table reports the percentage of pavements meeting ratings of “Very Good”, “Good”, “Fair”, and “Poor”. This condition index is used to classify roads in very good (90-100), good (70-89), fair (50-69), and poor (0-49).

<u>Calendar Year</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Very Good	39%	40%	38%	48%	50%	51%
Good	46%	44%	43%	36%	35%	35%
Fair	12%	14%	16%	13%	13%	12%
Poor	3%	2%	3%	3%	2%	2%
Overall System Rating	83.0%	83.0%	83.0%	84.0%	84.0%	83.6%

Estimated and Actual Costs to Maintain

The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal years (amounts in millions). Beginning in Fiscal Year 2005, a newly developed Pavement Optimization Program was used to calculate the annual amount required to maintain the highway system at a NSI of 72 by performing a cost-benefit analysis of various improvement strategies by pavement section. This has resulted in a lower estimated annual cost. However, the actual cost of system preservation is greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 83 actual).

<u>Fiscal Year</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Estimated	\$ 125	\$ 123	\$ 179	\$ 174	\$ 169
Actual		221	200	199	194
Difference		98	21	25	25

COMBINING AND INDIVIDUAL FUND STATEMENTS





NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Licensing and Regulation. This fund accounts for all activities of agencies, boards, and commissions whose primary function is licensing individuals and regulating industry and professions. This includes a diverse group of professions such as abstracters, medical professions, barbers, engineers, architects and accountants.

Economic Development. This fund accounts for activities to develop and promote the growth of industry, agriculture, commerce and tourism, and utilization of resources within Nebraska.

Airport Development. This fund accounts for the activities relating to aircraft fuels tax, which is administered by the Department of Aeronautics for the support and maintenance of public airports.

Game and Parks. This fund accounts for the activities related to the Nebraska Game and Parks Commission, which is responsible for the development and preservation of the fish and wildlife resources of Nebraska, and operation and administration of the State park system.

Energy Conservation. This fund accounts for activities relating to the oil and gas severance taxes as well as energy conservation and development activities. The State Energy Office is responsible for providing technical assistance on energy conservation and development, distributing funds for the school weatherization program, and administering and distributing federal funds provided to the State in the area of energy efficiency.

State Building Corporation. This fund accounts for the activities of a blended component unit.

NETC Leasing Corporation. This fund accounts for the activities of a blended component unit.

Other Special Revenue. This fund accounts for various other revenues that must be used for specific purposes.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for construction of buildings financed with tax dollars.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Aeronautics Trust Fund. This fund receives proceeds from the sale of state-owned airfields. Investment income is used to pay for expenses of the Department of Aeronautics.

Nebraska Veterans' Aid Fund. This fund accounts for the investment activity of a General Fund contribution made in a prior year. Earnings on the investment are used to provide emergency financial assistance to eligible veterans and dependents.

Permanent Endowment Fund. This fund receives the proceeds of sales of land and investments endowed to the University by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income on these funds is used for support and maintenance of the University.

Agriculture Endowment Fund. This fund receives the proceeds of sales of land and investments endowed to the University's Agriculture College by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income from this fund is used for support and maintenance of the College of Agriculture and Natural Resources.

Other Permanent Funds. Normal School Endowment, J.J. Soukup, and Miscellaneous Permanent Trust.

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$ 48,770	\$ 2,818	\$ 1,419	\$ 53,007
Cash on Deposit with Fiscal Agents	17,592	-	-	17,592
Investments	349,232	33,510	42,367	425,109
Securities Lending Collateral	111,643	10,915	5,710	128,268
Receivables, net of allowance				
Taxes	189	-	-	189
Due from Federal Government	567	-	-	567
Loans	175,542	9	-	175,551
Other	11,590	407	1,055	13,052
Due from Other Funds	4,506	33	-	4,539
Prepaid Items	101	-	-	101
Other	776	-	-	776
TOTAL ASSETS	<u>\$ 720,508</u>	<u>\$ 47,692</u>	<u>\$ 50,551</u>	<u>\$ 818,751</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 23,026	\$ 2,030	\$ 2,585	\$ 27,641
Due to Other Governments	741	-	-	741
Deposits	1,056	-	-	1,056
Due to Other Funds	8,552	443	-	8,995
Obligations under Securities Lending	111,643	10,915	5,710	128,268
TOTAL LIABILITIES	<u>145,018</u>	<u>13,388</u>	<u>8,295</u>	<u>166,701</u>
FUND BALANCES:				
Reserved for:				
Long-Term Receivables	175,542	9	-	175,551
Inventories and Prepaid Items	101	-	-	101
Debt Service	6,262	-	-	6,262
Endowment Principal	-	-	19,565	19,565
Unreserved	393,585	34,295	22,691	450,571
TOTAL FUND BALANCES	<u>575,490</u>	<u>34,304</u>	<u>42,256</u>	<u>652,050</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 720,508</u>	<u>\$ 47,692</u>	<u>\$ 50,551</u>	<u>\$ 818,751</u>

State of Nebraska

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2005

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
REVENUES:				
Sales and Use Taxes	\$ 2,833	\$ -	\$ -	\$ 2,833
Petroleum Taxes	12,415	-	-	12,415
Excise Taxes	35,144	9,163	-	44,307
Business and Franchise Taxes	13,567	-	-	13,567
Other Taxes	6,564	-	-	6,564
Federal Grants and Contracts	35,037	2,225	-	37,262
Licenses, Fees and Permits	100,995	-	-	100,995
Charges for Services	25,914	33	-	25,947
Investment Income	20,441	1,829	3,513	25,783
Rents and Royalties	11,991	6,664	-	18,655
Surcharge	61,205	-	-	61,205
Other	19,158	7	-	19,165
TOTAL REVENUES	345,264	19,921	3,513	368,698
EXPENDITURES:				
Current:				
General Government	29,253	-	15	29,268
Conservation of Natural Resources	43,476	-	-	43,476
Culture – Recreation	21,181	-	-	21,181
Economic Development and Assistance	13,739	-	-	13,739
Education	10,014	-	105	10,119
Higher Education - Colleges and University	-	17,331	-	17,331
Health and Social Services	987	-	921	1,908
Public Safety	27,311	-	-	27,311
Regulation of Business and Professions	131,802	-	-	131,802
Transportation	18,949	-	67	19,016
Intergovernmental	22,451	-	-	22,451
Capital Projects	-	19,048	-	19,048
Debt Service:				
Principal	5,525	-	-	5,525
Interest	1,852	-	-	1,852
TOTAL EXPENDITURES	326,540	36,379	1,108	364,027
Excess of Revenues Over (Under)				
Expenditures	18,724	(16,458)	2,405	4,671
OTHER FINANCING SOURCES (USES):				
Transfers In	61,066	23,129	-	84,195
Transfers Out	(62,940)	(4,582)	(329)	(67,851)
Proceeds from Other Financing Arrangements	1,890	-	-	1,890
Proceeds from Capital Leases	722	-	-	722
TOTAL OTHER FINANCING SOURCES (USES)	738	18,547	(329)	18,956
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	19,462	2,089	2,076	23,627
FUND BALANCES, JULY 1	556,028	32,215	40,180	628,423
FUND BALANCES, JUNE 30	\$ 575,490	\$ 34,304	\$ 42,256	\$ 652,050

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2005

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
ASSETS:			
Cash and Cash Equivalents	\$ 10,834	\$ 2,246	\$ 5,113
Cash on Deposit with Fiscal Agents	-	-	-
Investments	128,229	26,359	-
Securities Lending Collateral	41,767	8,586	-
Receivables, net of allowance:			
Taxes	13	-	144
Due from Federal Government	2	-	-
Loans	-	1,050	3,169
Other	4,454	1,414	67
Due from Other Funds	2,615	194	76
Prepaid Items	5	-	5
Other	39	735	-
TOTAL ASSETS	<u>\$ 187,958</u>	<u>\$ 40,584</u>	<u>\$ 8,574</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 6,394	\$ 1,085	\$ 731
Due to Other Governments	12	-	-
Deposits	314	735	-
Due to Other Funds	200	55	24
Obligations under Securities Lending	41,767	8,586	-
TOTAL LIABILITIES	<u>48,687</u>	<u>10,461</u>	<u>755</u>
FUND BALANCES:			
Reserved for:			
Long-Term Receivables	-	1,050	3,169
Inventories and Prepaid Items	5	-	5
Debt Service	-	-	-
Unreserved	139,266	29,073	4,645
TOTAL FUND BALANCES	<u>139,271</u>	<u>30,123</u>	<u>7,819</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 187,958</u>	<u>\$ 40,584</u>	<u>\$ 8,574</u>

GAME AND PARKS	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ 3,871	\$ 16,524	\$ -	\$ -	\$ 10,182	\$ 48,770
-	-	528	7,159	9,905	17,592
42,258	-	-	-	152,386	349,232
13,607	-	-	-	47,683	111,643
-	-	-	-	32	189
565	-	-	-	-	567
-	13,682	-	-	157,641	175,542
3,632	187	2	418	1,416	11,590
393	-	-	-	1,228	4,506
52	-	-	17	22	101
-	-	-	-	2	776
<u>\$ 64,378</u>	<u>\$ 30,393</u>	<u>\$ 530</u>	<u>\$ 7,594</u>	<u>\$ 380,497</u>	<u>\$ 720,508</u>
\$ 3,941	\$ 15	\$ -	\$ 161	\$ 10,699	\$ 23,026
-	-	-	-	729	741
-	-	-	-	7	1,056
2,343	5	-	-	5,925	8,552
13,607	-	-	-	47,683	111,643
<u>19,891</u>	<u>20</u>	<u>-</u>	<u>161</u>	<u>65,043</u>	<u>145,018</u>
-	13,682	-	-	157,641	175,542
52	-	-	17	22	101
-	-	530	411	5,321	6,262
44,435	16,691	-	7,005	152,470	393,585
<u>44,487</u>	<u>30,373</u>	<u>530</u>	<u>7,433</u>	<u>315,454</u>	<u>575,490</u>
<u>\$ 64,378</u>	<u>\$ 30,393</u>	<u>\$ 530</u>	<u>\$ 7,594</u>	<u>\$ 380,497</u>	<u>\$ 720,508</u>

State of Nebraska

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2005

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
REVENUES:			
Sales and Use Taxes	\$ -	\$ 2,833	\$ -
Petroleum Taxes	9,984	524	1,583
Excise Taxes	7,883	20,531	-
Business and Franchise Taxes	3,463	172	-
Other Taxes	-	-	-
Federal Grants and Contracts	1,120	9	15,382
Licenses, Fees and Permits	47,806	2	3
Charges for Services	2,259	470	673
Investment Income	7,481	1,365	169
Rents and Royalties	-	9	865
Surcharge	61,205	-	-
Other	9,835	145	4
TOTAL REVENUES	151,036	26,060	18,679
EXPENDITURES:			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	12,976	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	131,027	-	-
Transportation	-	-	18,949
Intergovernmental	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	131,027	12,976	18,949
Excess of Revenues Over (Under) Expenditures	20,009	13,084	(270)
OTHER FINANCING SOURCES (USES):			
Transfers In	2,504	3,428	329
Transfers Out	(28,891)	(14,527)	-
Proceeds from Other Financing Arrangements	-	-	-
Proceeds from Capital Leases	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(26,387)	(11,099)	329
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(6,378)	1,985	59
FUND BALANCES, JULY 1	145,649	28,138	7,760
FUND BALANCES, JUNE 30	\$ 139,271	\$ 30,123	\$ 7,819

GAME AND PARKS	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,833
-	300	-	-	24	12,415
1,309	-	-	-	5,421	35,144
-	-	-	-	9,932	13,567
-	-	-	-	6,564	6,564
7,090	-	-	-	11,436	35,037
20,457	-	-	-	32,727	100,995
3,672	14	-	-	18,826	25,914
2,222	565	8	232	8,399	20,441
9,253	-	625	-	1,239	11,991
-	-	-	-	-	61,205
647	39	-	-	8,488	19,158
<u>44,650</u>	<u>918</u>	<u>633</u>	<u>232</u>	<u>103,056</u>	<u>345,264</u>
-	-	2	-	29,251	29,253
30,218	450	-	-	12,808	43,476
20,040	-	-	-	1,141	21,181
-	-	-	-	763	13,739
-	-	-	5,119	4,895	10,014
-	-	-	-	987	987
-	-	-	-	27,311	27,311
-	-	-	-	775	131,802
-	-	-	-	-	18,949
-	-	-	-	22,451	22,451
-	-	520	3,315	1,690	5,525
-	-	99	1,267	486	1,852
<u>50,258</u>	<u>450</u>	<u>621</u>	<u>9,701</u>	<u>102,558</u>	<u>326,540</u>
<u>(5,608)</u>	<u>468</u>	<u>12</u>	<u>(9,469)</u>	<u>498</u>	<u>18,724</u>
10,001	-	-	4,582	40,222	61,066
(1,000)	-	-	-	(18,522)	(62,940)
-	-	-	-	1,890	1,890
-	-	-	-	722	722
<u>9,001</u>	<u>-</u>	<u>-</u>	<u>4,582</u>	<u>24,312</u>	<u>738</u>
3,393	468	12	(4,887)	24,810	19,462
<u>41,094</u>	<u>29,905</u>	<u>518</u>	<u>12,320</u>	<u>290,644</u>	<u>556,028</u>
<u>\$ 44,487</u>	<u>\$ 30,373</u>	<u>\$ 530</u>	<u>\$ 7,433</u>	<u>\$ 315,454</u>	<u>\$ 575,490</u>

State of Nebraska

COMBINING BALANCE SHEET NONMAJOR PERMANENT FUNDS

June 30, 2005

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
ASSETS:						
Cash and Cash Equivalents	\$ -	\$ 1,059	\$ 271	\$ 80	\$ 9	\$ 1,419
Investments	6,505	32,532	891	1,960	479	42,367
Securities Lending Collateral	3,458	2,058	56	124	14	5,710
Other Receivables, net of allowance	75	888	27	54	11	1,055
TOTAL ASSETS	<u>\$ 10,038</u>	<u>\$ 36,537</u>	<u>\$ 1,245</u>	<u>\$ 2,218</u>	<u>\$ 513</u>	<u>\$ 50,551</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 2,339	\$ 71	\$ 157	\$ 18	\$ 2,585
Obligations under Securities Lending	3,458	2,058	56	124	14	5,710
TOTAL LIABILITIES	<u>3,458</u>	<u>4,397</u>	<u>127</u>	<u>281</u>	<u>32</u>	<u>8,295</u>
FUND BALANCES:						
Reserved for Endowment Principal	6,195	12,000	503	722	145	19,565
Unreserved	385	20,140	615	1,215	336	22,691
TOTAL FUND BALANCES	<u>6,580</u>	<u>32,140</u>	<u>1,118</u>	<u>1,937</u>	<u>481</u>	<u>42,256</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,038</u>	<u>\$ 36,537</u>	<u>\$ 1,245</u>	<u>\$ 2,218</u>	<u>\$ 513</u>	<u>\$ 50,551</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR PERMANENT FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
REVENUES:						
Investment Income	\$ 551	\$ 2,668	\$ 82	\$ 161	\$ 51	\$ 3,513
TOTAL REVENUES	551	2,668	82	161	51	3,513
EXPENDITURES:						
General Government	-	-	-	-	15	15
Education	-	-	31	67	7	105
Health and Social Services	-	921	-	-	-	921
Transportation	67	-	-	-	-	67
TOTAL EXPENDITURES	67	921	31	67	22	1,108
Excess of Revenues Over (Under) Expenditures	484	1,747	51	94	29	2,405
OTHER FINANCING SOURCES (USES):						
Transfers Out	(329)	-	-	-	-	(329)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	155	1,747	51	94	29	2,076
FUND BALANCES, JULY 1	6,425	30,393	1,067	1,843	452	40,180
FUND BALANCES, JUNE 30	<u>\$ 6,580</u>	<u>\$ 32,140</u>	<u>\$ 1,118</u>	<u>\$ 1,937</u>	<u>\$ 481</u>	<u>\$ 42,256</u>



NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are maintained to account for operations that are financed and operated in a manner similar to private business enterprises—where the costs of providing goods and services to the general public are financed primarily through user charges.

Lottery Fund. This fund accounts for all receipts and expenses from the operations of the State Lottery.

Excess Liability Fund. This fund accounts for the activity resulting from implementation of the Nebraska Hospital-Medical Liability Act. Revenues are primarily insurance premiums from certain health care providers and a surcharge levied on all participating health care providers in Nebraska. Expenses from the fund are used to pay judgments against participating health care providers, up to a limit of \$1,750,000 per occurrence.

Cornhusker State Industries. The activities of Cornhusker State Industries in the Department of Correctional Services are accounted for in this fund. One of the main activities is making furniture.

State of Nebraska

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

June 30, 2005

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 5,268	\$ 9,749	\$ 8,126	\$ 23,143
Receivables, net of allowance	3,727	1,479	891	6,097
Due from Other Funds	-	-	16	16
Inventories	-	-	2,195	2,195
Prepaid Items	406	-	-	406
TOTAL CURRENT ASSETS	<u>9,401</u>	<u>11,228</u>	<u>11,228</u>	<u>31,857</u>
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	1,744	-	-	1,744
Long-Term Investments	-	51,135	-	51,135
Securities Lending Collateral	-	3,235	-	3,235
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	448	-	10,169	10,617
Less Accumulated Depreciation	(404)	-	(4,095)	(4,499)
Total Capital Assets, net	<u>44</u>	<u>-</u>	<u>6,389</u>	<u>6,433</u>
TOTAL NONCURRENT ASSETS	<u>1,788</u>	<u>54,370</u>	<u>6,389</u>	<u>62,547</u>
TOTAL ASSETS	<u>\$ 11,189</u>	<u>\$ 65,598</u>	<u>\$ 17,617</u>	<u>\$ 94,404</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 6,082	\$ 3,684	\$ 763	\$ 10,529
Due to Other Funds	23	-	16	39
Claims, Judgments and Compensated Absences	20	14,373	51	14,444
Unearned Revenue	-	6,172	-	6,172
TOTAL CURRENT LIABILITIES	<u>6,125</u>	<u>24,229</u>	<u>830</u>	<u>31,184</u>
NONCURRENT LIABILITIES:				
Claims, Judgments and Compensated Absences	124	25,627	302	26,053
Obligations under Securities Lending	-	3,235	-	3,235
TOTAL NONCURRENT LIABILITIES	<u>124</u>	<u>28,862</u>	<u>302</u>	<u>29,288</u>
TOTAL LIABILITIES	<u>6,249</u>	<u>53,091</u>	<u>1,132</u>	<u>60,472</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	44	-	6,074	6,118
Restricted for:				
Lottery Prizes, Noncurrent	1,744	-	-	1,744
Unrestricted	3,152	12,507	10,411	26,070
TOTAL NET ASSETS	<u>4,940</u>	<u>12,507</u>	<u>16,485</u>	<u>33,932</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,189</u>	<u>\$ 65,598</u>	<u>\$ 17,617</u>	<u>\$ 94,404</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
OPERATING REVENUES:				
Charges for Services	\$ 100,658	\$ 10,949	\$ 12,996	\$ 124,603
Other	-	-	26	26
TOTAL OPERATING REVENUES	<u>100,658</u>	<u>10,949</u>	<u>13,022</u>	<u>124,629</u>
OPERATING EXPENSES:				
Personal Services	1,265	-	3,215	4,480
Services and Supplies	17,484	533	6,867	24,884
Lottery Prizes	58,352	-	-	58,352
Insurance Claims	-	1,451	-	1,451
Depreciation	27	-	427	454
TOTAL OPERATING EXPENSES	<u>77,128</u>	<u>1,984</u>	<u>10,509</u>	<u>89,621</u>
Operating Income (Loss)	<u>23,530</u>	<u>8,965</u>	<u>2,513</u>	<u>35,008</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income	<u>330</u>	<u>4,015</u>	<u>230</u>	<u>4,575</u>
Income (Loss) Before Transfers	23,860	12,980	2,743	39,583
Transfers Out	<u>(26,372)</u>	<u>-</u>	<u>-</u>	<u>(26,372)</u>
Change in Net Assets	<u>(2,512)</u>	<u>12,980</u>	<u>2,743</u>	<u>13,211</u>
NET ASSETS, JULY 1	<u>7,452</u>	<u>(473)</u>	<u>13,742</u>	<u>20,721</u>
NET ASSETS, JUNE 30	<u>\$ 4,940</u>	<u>\$ 12,507</u>	<u>\$ 16,485</u>	<u>\$ 33,932</u>

State of Nebraska
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2005

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 100,093	\$ 12,388	\$ 1,233	\$113,714
Cash Received from Interfund Charges	-	-	12,556	12,556
Cash Paid to Employees	(1,238)	-	(3,130)	(4,368)
Cash Paid to Suppliers	(17,221)	(429)	(6,630)	(24,280)
Cash Paid for Lottery Prizes	(57,261)	-	-	(57,261)
Cash Paid for Insurance Claims	-	(13,451)	-	(13,451)
Cash Paid for Interfund Services	(269)	(128)	(361)	(758)
NET CASH FLOWS FROM OPERATING ACTIVITIES	24,104	(1,620)	3,668	26,152
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	(27,195)	-	-	(27,195)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:				
Acquisition and Construction of Capital Assets	(30)	-	(450)	(480)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(171,828)	-	(171,828)
Proceeds from Sale of Investment Securities	-	171,125	-	171,125
Interest and Dividend Income	375	3,695	173	4,243
NET CASH FLOWS FROM INVESTING ACTIVITIES	375	2,992	173	3,540
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,746)	1,372	3,391	2,017
CASH AND CASH EQUIVALENTS, JULY 1	8,014	8,377	4,735	21,126
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 5,268	\$ 9,749	\$ 8,126	\$ 23,143
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 23,530	\$ 8,965	\$ 2,513	\$ 35,008
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	27	-	427	454
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(565)	-	783	218
(Increase) Decrease in Due from Other Funds	-	-	(16)	(16)
(Increase) Decrease in Inventories	-	-	(188)	(188)
(Increase) Decrease in Prepaid Items	8	-	-	8
(Increase) Decrease in Long-Term Deposits	(32)	-	-	(32)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,131	(24)	161	1,268
Increase (Decrease) in Due to Other Funds	5	-	(12)	(7)
Increase (Decrease) in Claims Payable	-	(12,000)	-	(12,000)
Increase (Decrease) in Unearned Revenue	-	1,439	-	1,439
Total adjustments	574	(10,585)	1,155	(8,856)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 24,104	\$ (1,620)	\$ 3,668	\$ 26,152
NONCASH TRANSACTIONS (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	\$ -	\$ 454	\$ -	\$ 454

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the operations of State agencies that provide goods and services to other departments or agencies within State government on a cost-reimbursement basis. The State has the following internal service funds:

Buildings and Grounds. The activities of the Department of Administrative Services, State Building Division, for space rental, office and storage, and operating the parking areas are accounted for in this fund.

General Services. This fund accounts for the operations of central services provided by the Department of Administrative Services, Materiel Division. These operations are the central mailroom, printing, central stores, purchasing services, surplus State property, and other miscellaneous office services.

Communications. This fund accounts for the activities of the central communications network maintained by the Department of Administrative Services, Communications Division.

Information Management Services. The central data processing operations maintained by the Department of Administrative Services, Information Management Services Division, are accounted for in this fund.

Transportation Services Bureau. This fund accounts for the operations of the central motor pool, which is under the Department of Administrative Services, Transportation Services Bureau.

Risk Management. The activities of the Department of Administrative Services, Division of Risk Management, which include workers' compensation and general liability claims, and of the State Employees Insurance Fund, which include life and health insurance programs, are accounted for in this fund.

Accounting Services. The accounting operations maintained by the Department of Administrative Services, State Accounting Division, are accounted for in this fund.

Other Internal Service Funds. This fund accounts for the micrographics services and warehousing of records by the Records Management Division of the Secretary of State, the activities of the Investment Council, and the temporary employee pool maintained by the Department of Administrative Services, Division of State Personnel.

State of Nebraska

COMBINING STATEMENT OF NET ASSETS **INTERNAL SERVICE FUNDS**

June 30, 2005

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 10,346	\$ 5,162	\$ 2,366
Receivables, net of allowance			
Accounts	9	67	932
Accrued Interest	126	59	18
Due from Other Funds	470	1,739	497
Inventories	-	225	56
Prepaid Items	777	307	-
TOTAL CURRENT ASSETS	<u>11,728</u>	<u>7,559</u>	<u>3,869</u>
NONCURRENT ASSETS:			
Capital Assets:			
Buildings and Equipment	2,513	8,857	5,291
Less Accumulated Depreciation	(1,790)	(4,940)	(3,819)
Total Capital Assets, net	<u>723</u>	<u>3,917</u>	<u>1,472</u>
TOTAL ASSETS	<u>\$ 12,451</u>	<u>\$ 11,476</u>	<u>\$ 5,341</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 1,247	\$ 2,709	\$ 1,696
Due to Other Funds	120	859	72
Capital Lease Obligations	138	-	-
Claims, Judgments and Compensated Absences	77	62	47
Unearned Revenue	-	-	720
TOTAL CURRENT LIABILITIES	<u>1,582</u>	<u>3,630</u>	<u>2,535</u>
NONCURRENT LIABILITIES:			
Capital Lease Obligations	245	-	-
Claims, Judgments and Compensated Absences	457	372	278
TOTAL NONCURRENT LIABILITIES	<u>702</u>	<u>372</u>	<u>278</u>
TOTAL LIABILITIES	<u>2,284</u>	<u>4,002</u>	<u>2,813</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	340	3,917	1,472
Unrestricted	9,827	3,557	1,056
TOTAL NET ASSETS	<u>10,167</u>	<u>7,474</u>	<u>2,528</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,451</u>	<u>\$ 11,476</u>	<u>\$ 5,341</u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 16,142	\$ 3,122	\$ 22,464	\$ 634	\$ 2,458	\$ 62,694
811	160	31	2	98	2,110
183	43	220	29	19	697
2,909	751	47,475	17	224	54,082
-	4	-	-	-	285
-	-	-	-	-	1,084
<u>20,045</u>	<u>4,080</u>	<u>70,190</u>	<u>682</u>	<u>2,799</u>	<u>120,952</u>
15,942	18,373	-	1,798	1,169	53,943
<u>(14,476)</u>	<u>(8,009)</u>	<u>-</u>	<u>(1,406)</u>	<u>(1,097)</u>	<u>(35,537)</u>
<u>1,466</u>	<u>10,364</u>	<u>-</u>	<u>392</u>	<u>72</u>	<u>18,406</u>
<u>\$ 21,511</u>	<u>\$ 14,444</u>	<u>\$ 70,190</u>	<u>\$ 1,074</u>	<u>\$ 2,871</u>	<u>\$ 139,358</u>
\$ 2,736	\$ 1,301	\$ 5,902	\$ 118	\$ 333	\$ 16,042
111	48	6	90	5	1,311
1,021	1,020	-	-	-	2,179
314	9	24,687	34	18	25,248
-	-	-	-	-	720
<u>4,182</u>	<u>2,378</u>	<u>30,595</u>	<u>242</u>	<u>356</u>	<u>45,500</u>
967	1,055	-	-	-	2,267
<u>1,862</u>	<u>51</u>	<u>39,558</u>	<u>199</u>	<u>105</u>	<u>42,882</u>
<u>2,829</u>	<u>1,106</u>	<u>39,558</u>	<u>199</u>	<u>105</u>	<u>45,149</u>
<u>7,011</u>	<u>3,484</u>	<u>70,153</u>	<u>441</u>	<u>461</u>	<u>90,649</u>
(522)	8,289	-	392	72	13,960
<u>15,022</u>	<u>2,671</u>	<u>37</u>	<u>241</u>	<u>2,338</u>	<u>34,749</u>
<u>14,500</u>	<u>10,960</u>	<u>37</u>	<u>633</u>	<u>2,410</u>	<u>48,709</u>
<u>\$ 21,511</u>	<u>\$ 14,444</u>	<u>\$ 70,190</u>	<u>\$ 1,074</u>	<u>\$ 2,871</u>	<u>\$ 139,358</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)			
	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
OPERATING REVENUES:			
Charges for Services	\$ 25,519	\$ 19,018	\$ 17,905
Other	831	-	-
TOTAL OPERATING REVENUES	<u>26,350</u>	<u>19,018</u>	<u>17,905</u>
OPERATING EXPENSES:			
Personal Services	2,540	2,917	1,448
Services and Supplies	22,632	15,285	18,506
Insurance Claims	-	-	-
Depreciation	215	749	374
TOTAL OPERATING EXPENSES	<u>25,387</u>	<u>18,951</u>	<u>20,328</u>
 Operating Income (Loss)	 <u>963</u>	 <u>67</u>	 <u>(2,423)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment Income	397	163	93
Gain (Loss) on Sale of Capital Assets	(335)	(44)	(20)
Other	(13)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>49</u>	<u>119</u>	<u>73</u>
 Change in Net Assets	 1,012	 186	 (2,350)
NET ASSETS, JULY 1	<u>9,155</u>	<u>7,288</u>	<u>4,878</u>
NET ASSETS, JUNE 30	<u><u>\$ 10,167</u></u>	<u><u>\$ 7,474</u></u>	<u><u>\$ 2,528</u></u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 45,875	\$ 5,658	\$ 155,114	\$ 2,867	\$ 8,144	\$ 280,100
1,937	-	-	2,311	57	5,136
<u>47,812</u>	<u>5,658</u>	<u>155,114</u>	<u>5,178</u>	<u>8,201</u>	<u>285,236</u>
16,311	545	147	1,359	5,353	30,620
34,146	3,155	396	1,713	2,959	98,792
-	-	157,259	-	-	157,259
960	2,014	-	1,418	24	5,754
<u>51,417</u>	<u>5,714</u>	<u>157,802</u>	<u>4,490</u>	<u>8,336</u>	<u>292,425</u>
(3,605)	(56)	(2,688)	688	(135)	(7,189)
521	110	1,000	98	55	2,437
(21)	(586)	-	(187)	(22)	(1,215)
2,034	(94)	-	-	-	1,927
<u>2,534</u>	<u>(570)</u>	<u>1,000</u>	<u>(89)</u>	<u>33</u>	<u>3,149</u>
(1,071)	(626)	(1,688)	599	(102)	(4,040)
15,571	11,586	1,725	34	2,512	52,749
<u>\$ 14,500</u>	<u>\$ 10,960</u>	<u>\$ 37</u>	<u>\$ 633</u>	<u>\$ 2,410</u>	<u>\$ 48,709</u>

State of Nebraska
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 676	\$ 103	\$ 1,499
Cash Received from Interfund Charges	25,392	17,638	17,261
Cash Paid to Employees	(2,929)	(2,911)	(1,268)
Cash Paid to Suppliers	(21,125)	(13,604)	(16,650)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(1,196)	(272)	(624)
NET CASH FLOWS FROM OPERATING ACTIVITIES	818	954	218
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cigarette Tax Proceeds	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(193)	(1,413)	(953)
Proceeds from Sale of Capital Assets	1	2	-
Principal Paid on Capital Leases	(209)	-	-
Interest Paid on Capital Leases	(13)	-	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(414)	(1,411)	(953)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Income	348	144	96
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	752	(313)	(639)
CASH AND CASH EQUIVALENTS, JULY 1	<u>9,594</u>	<u>5,475</u>	<u>3,005</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$10,346</u></u>	<u><u>\$ 5,162</u></u>	<u><u>\$ 2,366</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 963	\$ 67	\$ (2,423)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	215	749	374
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	(4)	(33)	(417)
(Increase) Decrease in Due from Other Funds	(278)	(1,244)	943
(Increase) Decrease in Inventories	-	(20)	(56)
(Increase) Decrease in Prepaid Items	(110)	(86)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(40)	1,678	1,448
Increase (Decrease) in Due to Other Funds	72	(157)	20
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	329
Total Adjustments	(145)	887	2,641
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 818</u></u>	<u><u>\$ 954</u></u>	<u><u>\$ 218</u></u>
NONCASH TRANSACTIONS (dollars in thousands):			
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments. The following noncash transactions occurred during the year:			
Capital Assets acquired through Capital Leases	<u><u>\$ 346</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 135	\$ 45	\$ 2,812	\$ 11	\$ 5,698	\$ 10,979
48,536	5,932	140,555	5,153	2,630	263,097
(16,358)	(555)	(132)	(1,328)	(5,293)	(30,774)
(31,258)	(1,599)	(574)	(835)	(2,751)	(88,396)
-	-	(148,377)	-	-	(148,377)
(1,725)	(1,094)	(82)	(855)	(164)	(6,012)
(670)	2,729	(5,798)	2,146	120	517
2,068	-	-	-	-	2,068
-	(2,213)	-	(1,959)	(6)	(6,737)
184	617	-	1	1	806
(964)	(995)	-	-	-	(2,168)
(34)	(94)	-	-	-	(141)
(814)	(2,685)	-	(1,958)	(5)	(8,240)
445	88	1,023	89	44	2,277
1,029	132	(4,775)	277	159	(3,378)
15,113	2,990	27,239	357	2,299	66,072
<u>\$16,142</u>	<u>\$ 3,122</u>	<u>\$ 22,464</u>	<u>\$ 634</u>	<u>\$ 2,458</u>	<u>\$ 62,694</u>
\$ (3,605)	\$ (56)	\$ (2,688)	\$ 688	\$ (135)	\$ (7,189)
960	2,014	-	1,418	24	5,754
(537)	(133)	25	3	(68)	(1,164)
1,396	452	(11,772)	(17)	195	(10,325)
-	(4)	-	-	-	(80)
-	-	-	-	-	(196)
1,041	467	(241)	(21)	101	4,433
75	(11)	(4)	75	3	73
-	-	8,882	-	-	8,882
-	-	-	-	-	329
2,935	2,785	(3,110)	1,458	255	7,706
<u>\$ (670)</u>	<u>\$ 2,729</u>	<u>\$ (5,798)</u>	<u>\$ 2,146</u>	<u>\$ 120</u>	<u>\$ 517</u>
<u>\$ 1,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,923</u>



FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State of Nebraska in a fiduciary capacity. The State has the following fiduciary funds:

PENSION TRUST FUNDS

Deferred Compensation, State Employees' Retirement, County Employees' Retirement, Judges' Retirement, State Patrol Retirement, and School Retirement Systems.

PRIVATE PURPOSE TRUST FUNDS

Vocational Rehabilitation Fund. This fund provides rehabilitation services to outside persons to restore the person to gainful employment. Funding comes from assessments to insurance companies and self-insurers. This is not a State program.

Canteen and Welfare Fund. This fund provides entertainment activities and equipment at correctional facilities for youth and adult offenders. Such expenditures are not in the context of the State's responsibility for prisoner care and welfare. Revenues are from vending sales, canteen sales and interest earned. Such sales are 100% from inmate purchases. This is not a State program and uses no State funds.

Escheat Trust Fund. This fund makes payments to rightful owners for financial assets turned over to the State Treasurer because the assets were left unclaimed at corporations, business associations, banking and financial organizations, insurance companies, utilities and public authorities. If the rightful owners cannot be located, excess funds are transferred to the Permanent School Fund. However, the only funds shown in this trust are those funds determined to be paid at a future date to rightful owners of those funds.

College Savings Plan. This fund accounts for the Nebraska savings plan qualified under section 529 of the Internal Revenue Code.

Other Private Purpose Trust Funds. Amos Trust, Agriculture and University Land Lease, Public Service Commission Trust Account, and Miscellaneous Private Purpose Trust.

AGENCY FUNDS

Local Government Fund. This fund receives money for redistribution to counties and other political subdivisions.

Other Agency Funds. Ohio College Library Service, Severance Tax Fund, Court Ordered Settlement, County Court Trust Funds, Comprehensive Health Insurance Pool, the Department of Correctional Services Inmate Trust Funds, and the Health and Human Services System Trust Funds.

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

June 30, 2005

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
ASSETS:			
Cash and Cash Equivalents	\$ 46	\$ 1,004	\$ 37
Investments:			
U.S. Treasury Securities	-	-	53,662
U.S. Agency Securities	-	-	-
Corporate Bonds	-	-	29,653
Equity Securities	-	-	24,834
Options	-	-	-
Municipal Bonds	-	-	467
Real Estate Investment Trust	-	-	1,118
Pooled Investment Contracts	-	87,675	9,435
Collateral Mortgage Obligations	-	-	3,253
Asset Backed Securities	-	-	13,683
Mutual Funds and Commercial Paper	126,173	571,872	190,760
Total Investments	126,173	659,547	326,865
Securities Lending Collateral	-	2,012	26,240
Receivables:			
Contributions	-	3	4
Interest and Dividends	-	91	1,299
Other	-	-	12,640
Total Receivables	-	94	13,943
Due from Other Funds	14	-	-
Capital Assets:			
Buildings and Equipment	46	1,100	2,104
Less Accumulated Depreciation	(37)	(468)	(380)
Total Capital Assets, net	9	632	1,724
TOTAL ASSETS	<u>\$ 126,242</u>	<u>\$ 663,289</u>	<u>\$ 368,809</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ -	\$ 336	\$ 19,275
Due to Other Funds	4	11	-
Obligations under Securities Lending	-	2,012	26,240
Capital Lease Obligations	11	761	1,659
Accrued Compensated Absences	4	45	30
TOTAL LIABILITIES	19	3,165	47,204
NET ASSETS:			
Held in Trust for Pension Benefits	126,223	660,124	321,605
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 126,242</u>	<u>\$ 663,289</u>	<u>\$ 368,809</u>

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 35	\$ 22	\$ 3,102	\$ 59	\$ 51	\$ 4,356
-	14,959	237,203	4,181	9,764	319,769
-	-	440,608	7,765	18,137	466,510
-	8,266	249,983	4,406	10,290	302,598
-	6,926	645,960	11,400	26,542	715,662
-	-	(592)	(10)	(24)	(626)
-	130	2,326	41	96	3,060
-	357	93,366	1,646	3,843	100,330
20,725	2,939	-	-	-	120,774
-	907	131,557	2,319	5,415	143,451
-	3,814	91,042	1,604	3,748	113,891
134,119	53,610	3,565,669	62,896	146,616	4,851,715
154,844	91,908	5,457,122	96,248	224,427	7,137,134
474	7,313	303,768	5,358	12,493	357,658
272	234	14,552	206	-	15,271
23	366	11,302	201	467	13,749
-	3,525	100,331	1,770	4,126	122,392
295	4,125	126,185	2,177	4,593	151,412
-	-	17,860	160	1,040	19,074
502	1,107	8,335	1,634	1,607	16,435
(304)	(200)	(4,227)	(541)	(532)	(6,689)
198	907	4,108	1,093	1,075	9,746
<u>\$ 155,846</u>	<u>\$ 104,275</u>	<u>\$ 5,912,145</u>	<u>\$ 105,095</u>	<u>\$ 243,679</u>	<u>\$ 7,679,380</u>
\$ 42	\$ 5,436	\$ 209,356	\$ 3,653	\$ 8,507	\$ 246,605
24	-	22	27	-	88
474	7,313	303,768	5,358	12,493	357,658
312	873	5,113	1,361	1,338	11,428
22	18	173	6	7	305
874	13,640	518,432	10,405	22,345	616,084
154,972	90,635	5,393,713	94,690	221,334	7,063,296
<u>\$ 155,846</u>	<u>\$ 104,275</u>	<u>\$ 5,912,145</u>	<u>\$ 105,095</u>	<u>\$ 243,679</u>	<u>\$ 7,679,380</u>

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
ADDITIONS:			
Contributions:			
Participant Contributions	\$ 8,020	\$ 15,293	\$ 8,415
State Contributions	-	23,912	13,171
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	8,020	39,205	21,586
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	-	50,588	30,750
Interest and Dividend Income	7,051	-	-
Securities Lending Income	-	37	497
Total Investment Income	7,051	50,625	31,247
Investment Expenses	73	-	-
Securities Lending Expenses	-	32	432
Total Investment Expense	73	32	432
Net Investment Income	6,978	50,593	30,815
Other Additions	61	-	-
TOTAL ADDITIONS	15,059	89,798	52,401
DEDUCTIONS:			
Benefits	7,751	24,494	9,524
Refunds	-	-	-
Administrative Expenses	57	815	781
TOTAL DEDUCTIONS	7,808	25,309	10,305
TRANSFERS:			
Transfers In (Out)	-	(2,119)	2,119
Change in Net Assets	7,251	62,370	44,215
NET ASSETS-BEGINNING OF YEAR	118,972	597,754	277,390
NET ASSETS-END OF YEAR	\$ 126,223	\$ 660,124	\$ 321,605

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 4,668	\$ 3,291	\$ 93,062	\$ 1,011	\$ 2,839	\$ 136,599
6,994	4,869	17,390	72	3,173	69,581
-	-	89,806	-	-	89,806
-	-	-	2,195	-	2,195
<u>11,662</u>	<u>8,160</u>	<u>200,258</u>	<u>3,278</u>	<u>6,012</u>	<u>298,181</u>
11,885	8,832	380,282	6,775	15,841	504,953
-	-	103,415	1,832	4,293	116,591
<u>9</u>	<u>138</u>	<u>8,188</u>	<u>144</u>	<u>336</u>	<u>9,349</u>
11,894	8,970	491,885	8,751	20,470	630,893
-	-	8,483	144	333	9,033
<u>8</u>	<u>120</u>	<u>7,590</u>	<u>134</u>	<u>312</u>	<u>8,628</u>
<u>8</u>	<u>120</u>	<u>16,073</u>	<u>278</u>	<u>645</u>	<u>17,661</u>
11,886	8,850	475,812	8,473	19,825	613,232
-	-	57	-	-	118
<u>23,548</u>	<u>17,010</u>	<u>676,127</u>	<u>11,751</u>	<u>25,837</u>	<u>911,531</u>
5,338	2,742	184,421	4,216	10,143	248,629
-	-	9,952	-	127	10,079
<u>583</u>	<u>443</u>	<u>4,537</u>	<u>797</u>	<u>532</u>	<u>8,545</u>
5,921	3,185	198,910	5,013	10,802	267,253
(561)	561	-	-	-	-
17,066	14,386	477,217	6,738	15,035	644,278
137,906	76,249	4,916,496	87,952	206,299	6,419,018
<u>\$ 154,972</u>	<u>\$ 90,635</u>	<u>\$ 5,393,713</u>	<u>\$ 94,690</u>	<u>\$ 221,334</u>	<u>\$ 7,063,296</u>

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY NET ASSETS **PRIVATE PURPOSE TRUST FUNDS**

June 30, 2005

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ASSETS:						
Cash and Cash Equivalents	\$ 4,907	\$ 3,090	\$ 5,411	\$ -	\$ 12,903	\$ 26,311
Investments in Mutual Funds	-	-	-	950,197	-	950,197
Receivables:						
Interest and Dividends	57	35	68	777	75	1,012
Other	-	2	-	-	-	2
Other Assets	-	-	10,058	-	795	10,853
TOTAL ASSETS	<u>\$ 4,964</u>	<u>\$ 3,127</u>	<u>\$15,537</u>	<u>\$ 950,974</u>	<u>\$ 13,773</u>	<u>\$ 988,375</u>
LIABILITIES AND NET ASSETS:						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ 18	\$ 426	\$ 19	\$ 1,312	\$ 9	\$ 1,784
Deposits	-	-	-	-	795	795
Due to Other Funds	-	-	2,400	-	-	2,400
TOTAL LIABILITIES	<u>18</u>	<u>426</u>	<u>2,419</u>	<u>1,312</u>	<u>804</u>	<u>4,979</u>
NET ASSETS:						
Held in Trust for Other Purposes	<u>4,946</u>	<u>2,701</u>	<u>13,118</u>	<u>949,662</u>	<u>12,969</u>	<u>983,396</u>
TOTAL NET ASSETS	<u>4,946</u>	<u>2,701</u>	<u>13,118</u>	<u>949,662</u>	<u>12,969</u>	<u>983,396</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,964</u>	<u>\$ 3,127</u>	<u>\$15,537</u>	<u>\$ 950,974</u>	<u>\$ 13,773</u>	<u>\$ 988,375</u>

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2005

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ADDITIONS:						
Contributions:						
Participant Contributions	\$ -	\$ -	\$ -	\$ 375,544	\$ -	\$ 375,544
Client Contributions	-	141	-	-	-	141
Investment Income:						
Net Appreciation (Depreciation) in Fair Value of Investments	-	-	-	58,877	-	58,877
Interest and Dividend Income	199	108	227	17,307	192	18,033
Investment Expenses	-	-	-	5,550	-	5,550
Total Investment Income	199	108	227	70,634	192	71,360
Escheat Revenue	-	-	15,451	-	-	15,451
Other Additions	235	4,360	-	-	8,010	12,605
TOTAL ADDITIONS	434	4,609	15,678	446,178	8,202	475,101
DEDUCTIONS:						
Benefits	-	-	-	101,525	-	101,525
Amounts Distributed to Outside Parties	1,792	3,531	6,599	-	1,509	13,431
Administrative Expenses	-	945	546	-	39	1,530
TOTAL DEDUCTIONS	1,792	4,476	7,145	101,525	1,548	116,486
Change in Net Assets Held in Trust for Other Purposes	(1,358)	133	8,533	344,653	6,654	358,615
NET ASSETS-BEGINNING OF YEAR AS RESTATED	6,304	2,568	4,585	605,009	6,315	624,781
NET ASSETS-END OF YEAR	\$ 4,946	\$ 2,701	\$ 13,118	\$ 949,662	\$ 12,969	\$ 983,396

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2005

(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
ASSETS:			
Cash and Cash Equivalents	\$ 47,097	\$ 32,117	\$ 79,214
Receivables:			
Interest and Dividends Receivable	413	147	560
Other	114	826	940
TOTAL ASSETS	<u>\$ 47,624</u>	<u>\$ 33,090</u>	<u>\$ 80,714</u>
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 509	\$ 10,267	\$ 10,776
Due to Other Governments	47,115	-	47,115
Due to Other Funds	-	1,715	1,715
Other Liabilities	-	21,108	21,108
TOTAL LIABILITIES	<u>\$ 47,624</u>	<u>\$ 33,090</u>	<u>\$ 80,714</u>

State of Nebraska
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2005

(Dollars in Thousands)	BALANCE JULY 1, 2004	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2005
LOCAL GOVERNMENT FUND				
ASSETS				
Cash and Cash Equivalents	\$ 46,385	\$ 472,728	\$ 472,016	\$ 47,097
Receivables:				
Interest and Dividends Receivable	254	1,138	979	413
Other	-	115	1	114
TOTAL ASSETS	<u>\$ 46,639</u>	<u>\$ 473,981</u>	<u>\$ 472,996</u>	<u>\$ 47,624</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 428	\$ 210,586	\$ 210,505	\$ 509
Due to Other Governments	46,211	263,395	262,491	47,115
TOTAL LIABILITIES	<u>\$ 46,639</u>	<u>\$ 473,981</u>	<u>\$ 472,996</u>	<u>\$ 47,624</u>
OTHER				
ASSETS				
Cash and Cash Equivalents	\$ 43,293	\$ 401,934	\$ 413,110	\$ 32,117
Receivables:				
Interest and Dividends Receivable	125	776	754	147
Other	659	10,551	10,384	826
Due from Other Funds	-	-	-	-
TOTAL ASSETS	<u>\$ 44,077</u>	<u>\$ 413,261</u>	<u>\$ 424,248</u>	<u>\$ 33,090</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 18,147	\$ 46,685	\$ 54,565	\$ 10,267
Due to Other Funds	1,718	-	3	1,715
Other Liabilities	24,212	366,576	369,680	21,108
TOTAL LIABILITIES	<u>\$ 44,077</u>	<u>\$ 413,261</u>	<u>\$ 424,248</u>	<u>\$ 33,090</u>
TOTALS				
ASSETS				
Cash and Cash Equivalents	\$ 89,678	\$ 874,662	\$ 885,126	\$ 79,214
Receivables:				
Interest and Dividends Receivable	379	1,914	1,733	560
Other	659	10,666	10,385	940
Due from Other Funds	-	-	-	-
TOTAL ASSETS	<u>\$ 90,716</u>	<u>\$ 887,242</u>	<u>\$ 897,244</u>	<u>\$ 80,714</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 18,575	\$ 257,271	\$ 265,070	\$ 10,776
Due to Other Governments	46,211	263,395	262,491	47,115
Due to Other Funds	1,718	-	3	1,715
Other Liabilities	24,212	366,576	369,680	21,108
TOTAL LIABILITIES	<u>\$ 90,716</u>	<u>\$ 887,242</u>	<u>\$ 897,244</u>	<u>\$ 80,714</u>





STATISTICAL SECTION

The Statistical Section presents comparative data for the past ten years, and other pertinent information involving taxes, revenues, expenditures, demographic data and other miscellaneous statistics.

The statistical data is presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic data is presented to allow a broader understanding of the economic and social environment in which State government operates.

State of Nebraska

TEN YEAR SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

1996 – 2005

(Dollars in Thousands)

	1996	1997	1998	1999
REVENUES:				
Taxes:				
Income	\$ 947,508	\$ 1,075,095	\$ 1,121,849	\$ 1,199,499
Sales and Use	824,590	857,684	910,437	868,620
Petroleum	240,605	266,852	269,761	266,419
Excise	99,007	93,715	94,557	94,142
Business and Franchise	32,435	33,195	31,486	40,396
Other	16,097	22,679	25,480	24,590
Total Taxes	2,160,242	2,349,220	2,453,570	2,493,666
Federal Grants and Contracts	1,191,748	1,130,846	1,263,946	1,400,439
Licenses, Fees and Permits	138,288	145,598	146,128	154,352
Charges for Services	75,372	73,571	68,634	75,343
Investment Income	66,404	99,956	125,904	93,522
Rents and Royalties	27,865	32,561	31,614	31,954
Other	38,066	46,413	73,267	115,983
TOTAL REVENUES	3,697,985	3,878,165	4,163,063	4,365,259
EXPENDITURES:				
Current:				
General Government	74,545	94,041	92,529	95,568
Conservation of Natural Resources	66,495	67,638	73,637	82,049
Culture – Recreation	17,714	20,094	21,311	22,588
Economic Development and Assistance	64,202	68,133	71,240	74,672
Education	793,418	827,735	853,687	1,032,960
Higher Education - Colleges and University	356,200	376,718	392,403	404,314
Health and Social Services	1,332,712	1,342,694	1,469,078	1,646,773
Public Safety	152,065	152,321	170,797	177,519
Regulation of Business and Professions	49,458	44,464	42,367	42,930
Transportation	622,523	622,572	600,957	658,509
Intergovernmental	87,286	91,544	94,841	107,443
Capital Projects	4,288	11,899	18,404	23,177
Debt Service	2,814	3,298	3,467	5,897
TOTAL EXPENDITURES	3,623,720	3,723,151	3,904,718	4,374,399
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	74,265	155,014	258,345	(9,140)
Transfers In	84,938	113,205	104,979	123,474
Transfers Out	(61,648)	(89,388)	(86,071)	(106,603)
Other	2,945	7,912	3,002	55
Net Change for the Year	100,500	186,743	280,255	7,786
Restatements	-	25,496	-	-
BEGINNING FUND BALANCE	714,598	815,098	1,027,337	1,307,592
ENDING FUND BALANCE	\$ 815,098	\$ 1,027,337	\$ 1,307,592	\$ 1,315,378

SOURCE: Department of Administrative Services, Accounting Division.
Nebraska Comprehensive Annual Financial Report

2000	2001	2002	2003	2004	2005
\$ 1,310,210	\$ 1,374,256	\$ 1,252,950	\$ 1,237,075	\$ 1,402,371	\$ 1,610,008
1,083,692	1,068,832	1,135,014	1,215,621	1,283,592	1,376,675
280,700	291,545	309,245	311,198	313,539	311,231
95,324	86,518	83,567	107,227	122,320	124,525
42,095	56,420	57,321	59,490	67,322	70,344
27,735	35,621	24,912	25,187	33,089	68,885
<u>2,839,756</u>	<u>2,913,192</u>	<u>2,863,009</u>	<u>2,955,798</u>	<u>3,222,233</u>	<u>3,561,668</u>
1,557,699	1,591,531	1,789,617	1,806,377	2,153,141	2,133,629
160,915	159,338	169,748	177,317	183,314	198,970
78,647	81,691	82,058	74,470	82,320	93,654
91,173	114,774	57,660	71,225	83,702	115,540
34,123	33,711	33,586	44,561	39,845	41,437
181,894	146,874	148,168	196,148	222,577	201,814
<u>4,944,207</u>	<u>5,041,111</u>	<u>5,143,846</u>	<u>5,325,896</u>	<u>5,987,132</u>	<u>6,346,712</u>
108,303	113,810	98,621	131,442	124,672	313,031
95,824	94,481	102,401	88,716	92,682	98,067
22,754	24,059	29,002	26,844	26,081	28,313
80,559	81,045	86,401	83,378	80,531	81,172
1,080,926	1,089,059	1,172,525	1,208,046	1,203,430	1,223,461
429,865	442,176	466,397	461,325	438,225	451,404
1,794,428	1,960,469	2,159,887	2,219,154	2,337,338	2,475,952
189,850	197,363	238,874	236,277	262,344	285,732
68,044	81,855	104,364	116,560	127,079	139,086
760,048	670,896	750,704	752,810	794,342	844,709
106,795	154,425	126,825	120,788	115,682	92,767
66,478	45,321	25,961	27,773	19,162	19,048
14,353	4,824	10,691	5,764	6,116	7,377
<u>4,818,227</u>	<u>4,959,783</u>	<u>5,372,653</u>	<u>5,478,877</u>	<u>5,627,684</u>	<u>6,060,119</u>
125,980	81,328	(228,807)	(152,981)	359,448	286,593
174,364	151,673	151,187	147,825	126,343	152,721
(158,142)	(129,619)	(130,025)	(126,721)	(104,664)	(126,349)
30,636	2,947	37,719	5,013	1,347	3,311
172,838	106,329	(169,926)	(126,864)	382,474	316,276
-	-	11,354	-	-	-
<u>1,315,378</u>	<u>1,488,216</u>	<u>1,594,545</u>	<u>1,435,973</u>	<u>1,309,109</u>	<u>1,691,583</u>
<u>\$ 1,488,216</u>	<u>\$ 1,594,545</u>	<u>\$ 1,435,973</u>	<u>\$ 1,309,109</u>	<u>\$ 1,691,583</u>	<u>\$ 2,007,859</u>

State of Nebraska

REVENUE BOND COVERAGE COLLEGES AND UNIVERSITIES

1996 – 2005

(Dollars in Thousands)

FISCAL YEAR	DEDICATED REVENUES	RELATED EXPENSES	NET REVENUES AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENT	COVERAGE RATIO
1996	52,928	43,464	9,464	6,084	1.56
1997	54,029	44,652	9,377	7,175	1.31
1998	56,878	46,176	10,702	7,736	1.38
1999	48,965	38,267	10,698	8,072	1.33
2000	52,176	40,774	11,402	7,454	1.53
2001	54,108	43,168	10,940	7,876	1.39
2002	63,195	50,605	12,590	7,219	1.74
2003	67,284	53,080	14,204	8,313	1.71
2004	71,976	54,497	17,479	9,056	1.93
2005	75,808	55,015	20,793	14,485	1.44

SOURCE: University of Nebraska and State Colleges.

State of Nebraska

COMPARATIVE POPULATION GROWTH NEBRASKA AND UNITED STATES

1940 – 2004 (As of July 1)

YEAR	NEBRASKA	PERCENT CHANGE	UNITED STATES	PERCENT CHANGE
1940	1,315,834		132,122,446	
1950	1,325,510	0.74 %	152,271,417	15.25 %
1960	1,411,921	6.52	180,671,158	18.65
1970	1,485,333	5.20	205,052,174	13.49
1971	1,508,000	1.53	207,661,000	1.27
1972	1,528,000	1.33	209,896,000	1.08
1973	1,533,000	0.33	211,909,000	0.96
1974	1,537,000	0.26	213,854,000	0.92
1975	1,544,000	0.46	215,973,000	0.99
1976	1,552,000	0.52	218,035,000	0.95
1977	1,555,000	0.19	220,239,000	1.01
1978	1,565,000	0.64	222,585,000	1.07
1979	1,574,000	0.58	225,055,000	1.11
1980	1,569,825	(0.27)	227,224,681	0.96
1981	1,577,000	0.46	229,466,000	0.99
1982	1,586,000	0.57	231,664,000	0.96
1983	1,597,000	0.69	233,792,000	0.92
1984	1,605,000	0.50	235,825,000	0.87
1985	1,606,000	0.06	237,924,000	0.89
1986	1,598,000	(0.50)	240,133,000	0.93
1987	1,594,000	(0.25)	242,289,000	0.90
1988	1,602,000	0.50	244,499,000	0.91
1989	1,611,000	0.56	246,819,000	0.95
1990	1,578,417	(2.02)	249,439,545	1.06
1991	1,591,000	0.80	252,124,000	1.08
1992	1,603,000	0.75	255,002,000	1.14
1993	1,613,000	0.62	257,753,000	1.08
1994	1,623,000	0.62	260,292,000	0.99
1995	1,636,000	0.80	262,761,000	0.95
1996	1,649,000	0.79	265,179,000	0.92
1997	1,657,000	0.49	267,636,000	0.93
1998	1,661,000	0.24	270,248,000	0.98
1999	1,666,000	0.30	272,691,000	0.90
2000	1,711,263	2.72	281,421,906	3.20
2001	1,713,000	0.10	284,797,000	1.20
2002	1,728,000	0.88	287,974,000	1.12
2003	1,739,000	0.64	290,810,000	0.98
2004	1,747,000	0.46	293,655,000	0.98
1940-2004		32.77 %		122.26 %

SOURCE: U.S. Census Bureau

State of Nebraska
COMPARATIVE UNEMPLOYMENT
NEBRASKA AND UNITED STATES
1950 – 2004

YEAR	NEBRASKA			NEBRASKA UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNITED STATES UNEMPLOYMENT AS PERCENT OF LABOR FORCE
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT		
1950	608,500	590,600	17,900	2.9%	5.3%
1960	630,200	613,000	17,200	2.7	5.5
1970(a)	631,700	612,300	19,400	3.1	4.9
1971	644,000	620,500	23,500	3.6	5.9
1972	666,300	643,800	22,500	3.4	5.6
1973	688,900	666,200	22,700	3.3	4.9
1974	719,500	688,600	30,900	4.3	5.6
1975	706,000	663,200	42,800	6.1	8.5
1976	717,100	680,900	36,200	5.0	7.7
1977(b)	750,000	722,000	28,000	3.7	7.1
1978	772,000	749,000	23,000	3.0	6.1
1979	771,000	747,000	24,000	3.1	5.8
1980	763,000	732,000	31,000	4.1	7.1
1981	777,000	745,000	32,000	4.1	7.6
1982	789,000	741,000	48,000	6.1	9.7
1983	791,000	746,000	45,000	5.7	9.6
1984	796,000	761,000	35,000	4.4	7.5
1985	806,000	762,000	44,000	5.5	7.2
1986	813,000	772,000	41,000	5.0	7.0
1987	812,000	772,000	40,000	4.9	6.2
1988	818,000	789,000	29,000	3.5	5.5
1989	812,000	787,000	25,000	3.1	5.3
1990	814,489	796,352	18,137	2.2	5.6
1991	835,206	812,074	23,132	2.8	6.8
1992	838,477	813,076	25,401	3.0	7.5
1993	858,400	835,581	22,819	2.7	6.9
1994	880,246	854,975	25,271	2.9	6.1
1995	898,113	874,357	23,756	2.6	5.6
1996	909,932	883,284	26,648	2.9	5.4
1997	906,256	882,615	23,641	2.6	4.9
1998(c)	916,440	891,709	24,731	2.7	4.5
1999	911,831	885,755	26,076	2.9	4.2
2000	924,298	896,761	27,537	3.0	4.0
2001	928,297	899,429	28,868	3.1	4.7
2002	954,013	920,662	33,351	3.5	5.8
2003	976,034	936,664	39,370	4.0	6.0
2004	985,340	947,882	37,458	3.8	5.5

(a) Data for 1970 and later are based on a Labor Force concept rather than the Work Force used previously, and are not strictly comparable with data for previous years.

(b) Data for 1977 and later are not comparable to prior years because of changes in the method of estimating the labor force.

(c) Numbers for 1998 to 2000 revised to March 2001 benchmark.

SOURCE: Nebraska Statistics – 1950-1983 Nebraska Statistical Handbook, Nebraska Department of Economic Development;
1984-2004 Nebraska Department of Labor, Labor Market Information
United States Unemployment – U.S. Department of Labor, Bureau of Labor Statistics

State of Nebraska

TOTAL PERSONAL AND PER CAPITA INCOME
NEBRASKA, UNITED STATES AND THE PLAINS
 1995 – 2004

YEAR	NEBRASKA		UNITED STATES		PLAINS (a)	
	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
1995	36,293	21,903	6,192,235	23,255	410,645	22,138
1996	39,618	23,670	6,538,103	24,270	439,948	23,520
1997	40,724	24,148	6,928,545	25,412	462,173	24,517
1998	43,340	25,541	7,418,754	26,893	493,711	26,001
1999	45,274	26,569	7,779,511	27,880	512,109	26,787
2000	47,599	27,781	8,398,871	29,760	547,878	28,430
2001	49,642	28,861	8,677,490	30,413	566,737	29,257
2002	50,347	29,162	8,872,521	30,814	576,655	29,613
2003	53,427	30,750	9,156,108	31,487	598,971	30,582
2004	56,393	32,276	9,702,525	33,041	634,984	32,236

(a) States included in the Plains are Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

State of Nebraska

TEN LARGEST PRIVATE EMPLOYERS
 2005

NAME OF COMPANY	RANK
Tyson Foods Inc.	1
Walmart	2
Union Pacific Corp.	3
Alegent Health	4
First Data Corp.	5
Mutual of Omaha Ins. Co.	6
Hy-vee Food Stores	7
First National of Nebraska Inc	8
Nebraska Methodist Health System	9
Burlington Northern	10

SOURCE: Nebraska Department of Economic Development, Research Division

State of Nebraska

TRANSPORTATION RELATED STATISTICS

1995 – 2004

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
STATE HIGHWAY MILEAGE BY SURFACE TYPE (a)										
RURAL										
Gravel	51	44	44	44	44	44	44	43	43	43
Asphalt, Bitumen	7,834	7,849	7,819	7,841	7,901	7,911	7,905	7,956	7,958	8,008
Concrete, Brick	1,445	1,455	1,487	1,453	1,391	1,375	1,374	1,313	1,310	1,248
TOTAL RURAL	9,330	9,348	9,350	9,338	9,336	9,330	9,323	9,312	9,311	9,299
MUNICIPAL										
Asphalt, Bitumen	353	351	344	350	351	350	353	354	346	350
Concrete, Brick	277	270	276	279	282	287	294	303	302	310
TOTAL MUNICIPAL	630	621	620	629	633	637	647	657	648	660
TOTAL RURAL AND MUNICIPAL	9,960	9,969	9,970	9,967	9,969	9,967	9,970	9,969	9,959	9,959
MOTOR VEHICLE REGISTRATIONS (b)										
Automobiles	965,100	977,252	981,372	1,011,801	1,038,583	1,043,491	1,057,498	1,076,415	1,081,868	1,088,620
Trucks										
Farm	148,181	148,051	149,471	148,433	149,034	148,421	149,116	148,456	147,571	148,278
Other	279,781	312,213	324,010	337,946	355,438	364,198	370,272	372,929	378,615	383,024
Motorcycles	18,696	18,094	18,441	19,344	20,612	22,758	25,010	26,931	29,794	32,916
All Other	281,287	330,929	341,058	349,547	369,682	381,986	388,482	394,198	402,855	406,715
TOTAL	1,693,045	1,786,539	1,814,352	1,867,071	1,933,349	1,960,854	1,990,378	2,018,929	2,040,703	2,059,553

SOURCE: (a) Nebraska Department of Roads.

(b) Nebraska Department of Motor Vehicles.

State of Nebraska

NEBRASKA CASH RECEIPTS FROM FARM MARKETING AND GOVERNMENT PAYMENTS

1995 – 2004

(Dollars in Millions)

YEAR	CASH RECEIPTS FROM FARM MARKETINGS			GOVERNMENT PAYMENTS	TOTAL
	CROPS	LIVESTOCK AND LIVESTOCK PRODUCTS	TOTAL CROPS AND LIVESTOCK		
1995	3,837.0	5,146.1	8,983.1	507.3	9,490.4
1996	3,922.7	5,318.7	9,241.4	388.8	9,630.2
1997	4,298.6	5,507.2	9,805.8	454.6	10,260.4
1998	3,892.9	5,124.4	9,017.3	814.7	9,832.0
1999	2,962.6	5,426.3	8,388.9	1,411.9	9,800.8
2000	3,038.3	5,917.0	8,955.3	1,407.0	10,362.3
2001	3,125.8	6,095.2	9,221.0	1,297.6	10,518.6
2002	3,764.4	5,824.3	9,588.7	485.1	10,073.8
2003	4,159.4	6,868.5	11,027.9	725.8	11,753.7
2004	4,441.5	7,338.2	11,779.7	728.3	12,508.0

SOURCE: Economic Research Service, U.S. Department of Agriculture.

State of Nebraska

NEBRASKA HOUSING UNITS AUTHORIZED FOR CONSTRUCTION

1995 – 2004

YEAR	HOUSING UNITS AUTHORIZED	PERCENT CHANGE
1995	8,164	3.64 %
1996	10,091	23.60
1997	9,880	(2.09)
1998	9,560	(3.24)
1999	8,696	(9.04)
2000	9,105	4.70
2001	8,198	(9.96)
2002	9,340	13.93
2003	10,339	10.70
2004	10,920	5.62

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, Current Construction Reports, Housing Units Authorized by Building Permits

State of Nebraska

MOTOR FUELS NET TAXABLE GALLONS

1995 – 2004

YEAR	IMPORTING DEALERS	DIESEL FUELS	GASOHOL	TOTAL	PERCENT CHANGE
1995	587,503,297	248,461,579	238,027,521	1,073,992,397	9.08 %
1996	636,785,443	255,896,982	183,903,344	1,076,585,769	0.24
1997	629,887,065	286,107,488	206,250,862	1,122,245,415	4.24
1998	661,061,910	316,724,293	189,956,805	1,167,743,008	4.05
1999	655,569,949	342,368,345	213,395,320	1,211,333,614	3.73
2000	575,163,734	343,393,346	299,174,495	1,217,731,575	0.53
2001	634,574,152	351,211,826	239,371,359	1,225,157,337	0.61
2002	568,121,161	357,685,438	326,135,113	1,251,941,712	2.19
2003	514,113,710	346,195,727	367,609,147	1,227,918,584	(1.92)
2004	504,353,133	389,121,471	380,088,535	1,273,563,139	3.72

SOURCE: Nebraska Department of Revenue Annual Report.

State of Nebraska

BANK DEMAND AND TIME DEPOSITS

1995 – 2004

(Dollars in Millions)

YEAR	DEMAND DEPOSITS	TIME DEPOSITS	TOTAL DEPOSITS	PERCENT CHANGE
1995	3,506	19,051	22,557	9.19 %
1996	3,713	19,546	23,259	3.11
1997	3,293	18,313	21,606	(7.11)
1998	3,440	19,601	23,041	6.64
1999	3,297	19,705	23,002	(0.17)
2000	3,609	20,071	23,680	2.95
2001	4,041	20,626	24,667	4.17
2002	4,121	21,080	25,201	2.16
2003	3,616	20,271	23,887	(5.21)
2004	3,674	20,518	24,192	1.28

NOTE: This data represents balances at December 31.

SOURCE: Federal Deposit Insurance Corporation.

State of Nebraska

**PUBLIC AND STATE OPERATED ENROLLMENT
PREKINDERGARTEN – GRADE 12**

1995/96 – 2004/05

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
1995 – 1996	25,779	64,010	66,957	68,796	62,842	288,384
1996 – 1997	25,599	64,800	66,058	69,937	65,023	291,417
1997 – 1998	25,543	65,014	64,721	70,452	66,389	292,119
1998 – 1999	25,740	64,664	64,256	69,991	66,485	291,136
1999 – 2000	25,219	63,118	64,409	69,099	66,386	288,231
2000 – 2001	25,216	60,896	64,942	67,392	66,576	285,022
2001 – 2002	25,931	60,645	64,003	68,566	66,251	285,396
2002 – 2003	25,931	60,645	64,003	68,546	66,257	285,382
2003 – 2004	26,639	60,673	63,120	69,359	65,751	285,542
2004 – 2005	26,848	61,011	62,210	69,253	65,237	284,559

SOURCE: Statistics and Facts About Nebraska Schools, Nebraska Department of Education.

State of Nebraska

**PUBLIC HIGHER EDUCATION INSTITUTIONS
TOTAL FALL HEADCOUNT ENROLLMENT**

1995 – 2004

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
COLLEGES AND UNIVERSITIES:										
Chadron State College	3,063	2,905	2,931	2,809	2,768	2,686	2,804	2,712	2,667	2,569
Peru State College	1,754	1,774	1,807	1,695	1,664	1,698	1,629	1,687	1,618	1,683
Wayne State College	3,868	3,828	3,839	3,835	3,601	3,518	3,311	3,220	3,305	3,398
University of Nebraska										
Lincoln (1)	24,578	24,189	23,104	22,669	22,394	22,502	22,998	23,241	22,734	22,012
Omaha	14,691	14,474	13,710	13,274	13,264	13,479	14,143	14,451	13,931	13,824
Kearney	7,620	7,680	7,133	6,849	6,780	6,506	6,426	6,395	6,311	6,382
Medical Center	2,770	2,718	2,618	2,599	2,590	2,696	2,724	2,819	2,865	2,904
TOTAL COLLEGES AND UNIVERSITIES	<u>58,344</u>	<u>57,568</u>	<u>55,142</u>	<u>53,730</u>	<u>53,061</u>	<u>53,085</u>	<u>54,035</u>	<u>54,525</u>	<u>53,431</u>	<u>52,772</u>
COMMUNITY COLLEGES										
Central CC (2)	5,839	6,476	6,743	7,474	7,095	7,126	6,399	6,417	6,364	6,524
Metropolitan CC	10,666	10,759	11,213	11,583	11,658	11,534	11,704	12,253	12,177	12,961
Mid-Plains CC	2,528	2,925	2,694	2,487	2,518	2,607	2,816	3,020	3,001	2,957
Northeast CC	3,413	4,235	4,440	4,754	4,671	4,520	4,600	4,832	4,805	5,053
Southeast CC	6,240	7,041	6,951	7,122	7,351	7,396	7,935	8,912	8,451	10,079
Western CC	2,291	1,960	2,008	1,704	1,836	2,264	2,150	2,152	2,420	2,659
TOTAL COMMUNITY COLLEGES	<u>30,977</u>	<u>33,396</u>	<u>34,049</u>	<u>35,124</u>	<u>35,129</u>	<u>35,447</u>	<u>35,604</u>	<u>37,586</u>	<u>37,218</u>	<u>40,233</u>
TOTAL ALL INSTITUTIONS	<u>89,321</u>	<u>90,964</u>	<u>89,191</u>	<u>88,854</u>	<u>88,190</u>	<u>88,532</u>	<u>89,639</u>	<u>92,111</u>	<u>90,649</u>	<u>93,005</u>

NOTE: (1) University of Nebraska-Lincoln count includes NCTA-Curtis for all years.

(2) Central CC reporting under continuous enrollment practice abandoned in 1996. Enrollment numbers have been retroactively changed to the reporting practice consistent with that of the other Community Colleges.

SOURCE: Nebraska Coordinating Commission for Postsecondary Education

State of Nebraska

MISCELLANEOUS STATISTICS

June 30, 2005

Date Entered Union	March 1, 1867 (37th State)
Form of Government	Legislative – Executive – Judicial
Land Area	77,358 square miles (16th largest in U.S.)
Elevation	840 to 5,424 feet above sea level
Capital	Lincoln
Largest City	Omaha
Origin of Name	From Oto Indian word "Nebrathka" meaning "flat water"
Nickname	Cornhusker State (from method of harvesting or "husking" corn by hand)
Recreation:	
Fish Hatcheries	8
State Parks	8
Historical Parks	10
Recreation and Wildlife Management Areas	336
State Police Protection:	
Number of Troops	6
Number of Patrolmen	440

SOURCE: Nebraska Blue Book, 2004-2005.

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